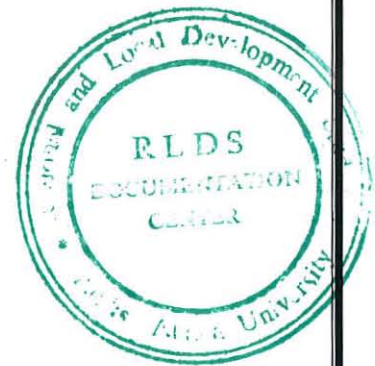


**ADDIS ABABA UNIVERSITY**  
**RESEARCH AND GRADUATE PROGRAMS OFFICE**  
**REGIONAL AND LOCAL DEVELOPMENT STUDIES**  
**(RLDS)**

*A POLICY CHALLENGE IN A PERIOD OF TRANSITION TO  
MARKET ORIENTED ECONOMY: THE CASE OF KEBELE  
RESIDENTIAL HOUSES IN WOREDAS 4 AND 7, ADDIS ABABA*

**BY**  
**BETHEL TEREFE**



**ADDIS ABABA**  
**JULY 2003**

ADDIS ABABA UNIVERSITY  
RESEARCH AND GRADUATE PROGRAMS OFFICE  
REGIONAL AND LOCAL DEVELOPMENT STUDIES  
(RLDS)

*A POLICY CHALLENGE IN A PERIOD OF TRANSITION TO MARKET  
ORIENTED ECONOMY: THE CASE OF KEBELE RESIDENTIAL HOUSES  
IN WOREDAS 4 AND 7, ADDIS ABABA*

A THESIS PRESENTED TO THE RESEARCH AND GRADUATE PROGRAMS OFFICE,  
ADDIS ABABA UNIVERSITY IN PARTIAL FULFILLMENT FOR THE DEGREE OF  
MASTER OF ARTS IN REGIONAL AND LOCAL DEVELOPMENT STUDIES

Approved By Board of Examiners

Signature

1. Chairman, Graduate Committee  
Tegege G/Egziabher (Ph.D)



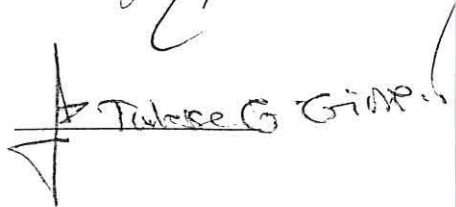
2. Advisor  
Solomon Mulugeta (Ph.D)



3. Internal Examiner  
Proff. Mekete Belachew



4. External Examiner  
Ato Tadesse G. Giorgis



RLDS  
B3P6  
2003

## OUT LINE

<u>Table of Contents</u>	<u>Pages</u>
<i>Acknowledgment</i> .....	iii
Acronyms.....	iv
Amharic Names.....	iv
List of Tables.....	v
<i>Abstract</i> .....	vi
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>1. INTRODUCTION</b> .....	<b>1</b>
<b>1.1. Background/ Statement of the Problem</b> .....	<b>1</b>
<b>1.2. Objectives of the Study</b> .....	<b>7</b>
<b>1.3 Research Questions</b> .....	<b>8</b>
<b>1.4 Significance of the Study</b> .....	<b>8</b>
<b>1.5 Research Methodology</b> .....	<b>9</b>
<b>1.5.1. Sampling Method</b> .....	<b>10</b>
<b>1.5.2. Study Instrument</b> .....	<b>10</b>
<b>1.5.3. Method of Analysis</b> .....	<b>11</b>
<b>1.6. Limitations of the Study</b> .....	<b>11</b>
<b>CHAPTER TWO</b> .....	<b>12</b>
<b>2. THEORETICAL BACKGROUND</b> .....	<b>12</b>
<b>2.1. Conceptualizing Housing</b> .....	<b>12</b>
<b>2.2 State Intervention in Housing Provision</b> .....	<b>14</b>
<b>2.3. The Global Shift of Housing Policy</b> .....	<b>16</b>
<b>2.4. Rationale behind Disposal of Public Houses and Diminishing Role of Public Housing</b> .....	<b>22</b>
<b>2.5. Experience of Countries in Disposal of Public Housing</b> .....	<b>26</b>
<b>2.5.1. New Zealand</b> .....	<b>26</b>
<b>2.5.2 Lusaka, Zambia</b> .....	<b>29</b>
<b>2.5.3. Budapest, Hungary</b> .....	<b>32</b>
<b>2.5.4. Hanoi, Vietnam</b> .....	<b>33</b>
<b>2.5.5. Shenzhen, China</b> .....	<b>33</b>
<b>2.6. Outcomes of Disposal of Public Houses and Their Indication</b> .....	<b>36</b>

<b>CHAPTER THREE</b> .....	44
<b>3. HOUSING SECTOR IN ETHIOPIA</b> .....	44
<b>3.1. Policy Environment in the Housing Sector</b> .....	44
<b>3.2. Current problems in the Housing Sector in Addis Ababa</b> .....	49
<b>3.2.1. The System of Land Tenure</b> .....	51
<b>3.2.2 Scarcity of Housing Finance</b> .....	53
<b>3.2.3 .Low Affordability</b> .....	55
<b>3.2.4. Rural Urban Migration</b> .....	59
<b>3.3. Kebele Housing Stocks</b> .....	59
<b>3.3.1. Problems in the Administration of Kebele Houses</b> .....	63
<b>3.3.2. Privatization towards Solving the Problem of Kebele                     Housing Stocks</b> .....	66
<b>CHAPTER FOUR</b> .....	70
<b>4.1. General Description of The Study Area and the Dwellers</b> .....	70
<b>4.2. The Condition of Kebele Rental Houses</b> .....	76
<b>4.2.1. Construction Materials and the Physical structure</b> .....	77
<b>4.2.2. Provision of Services and Infrastructure</b> .....	78
<b>4.2.3. Housing Density</b> .....	82
<b>4.2.4. Tenants Assessment of their Housing Condition</b> .....	84
<b>4.3. Profile of Kebele House Tenants</b> .....	85
<b>4.3.1. Livelihood Strategies of Tenant Households</b> .....	86
<b>I. Income</b> .....	86
<b>II. Copping Strategies</b> .....	91
<b>III. Saving, financial and social capital of tenant households</b> .....	92
<b>4.3.2. Housing Investment Trend</b> .....	95
<b>4.3.3. Aspiration of Tenants regarding their Tenure Status</b> .....	99
<b>CHAPTER FIVE</b> .....	108
<b>5.1 Implications of Findings</b> .....	108
<b>5.2 Conclusion and Recommendations</b> .....	119
List of References.....	127
Survey questionnaire to household Heads of Kebele House Tenants .....	i
Guideline Questions for Focus Group Discussions.....	xi

### *Acknowledgment*

I sincerely thank my advisor, Dr Solomon Mulugeta for his consistent support. I am very much grateful for all his valuable feedback on this paper, for his constructive comments, and the time he has conferred to advise me on this research.

I would also like to thank Mr. Koerner from GTZ-MMPDP whose support has contributed a lot to the completion of this study. I would also like to thank Ato Tilahun Girma from Ministry of Works and Urban Development for his input in this study. Lastly, my appreciation also extends to Kebele officials in Kebele 27 of Woreda 4 and Kebele 20 of Woreda 7 for their cooperation during the data collection.

## Acronyms

AARH:	Agency for Administration of Rental Houses
CBB:	Commercial and Business Bank
EPRDF:	Ethiopian People's Revolutionary Democratic Front
HSB:	Housing and Saving Bank
MUDH:	Ministry of Urban Development and Housing
MWUD:	Ministry of Works and Urban Development
NUPI:	National Urban Planning Institute
ORAAMP	Office for Revision of Addis Ababa Master Plan
PADCO:	Planning and Development Collaborative International

## Amharic Names

'Abnet':	A neighborhood located adjoining the Mercato area, currently chosen as a business upgrading area in the City Master Plan
'Birr':	Local currency
'Edir':	A social network, a community self help system, organized for the purpose of supporting households in times of social crisis, such as occurrence of death in a member's household.
'Equib':	A traditional saving culture of rotating fund pulled together from all participants
'Kebele':	Sub district with in a 'Woreda', at the time of the survey collection, now under a 'Kifle Ketema' or district
Kifle Ketema:	An Amharic name for districts with in a city, which have currently replaced 'Woredas'.
Kuwas Meda:	A neighborhood located at an intermediate location in the city, adjoining central 'Kebeles' of 'Mercato' with peripheral 'Kebeles' in the north western part of the city, currently chosen as a housing upgrading area in the city master plan.
'Woreda':	District in a region under a 'Zone', at the time this survey is collected, but now replaced by 'Kifle Ketema'

## List of Tables

	<b>Pages</b>
Table 1. Distribution of occupation among tenant household heads.....	73
Table 2. Comparing Distribution of joint income of tenant households between the two Kebeles .....	74
Table 3. Comparing Housing condition based on self assessment of tenant households between the two kebeles .....	75
Table 4. Distribution of construction materials of Kebele houses .....	77
Table 5. Distribution of service facilities in Kebele houses .....	80
Table 6 Comparison of studies on physical condition of Kebele houses .....	84
Table 7 Compound Income of tenant households .....	87
Table 8. Tenant households major source of income .....	88
Table 9 Tenant’s ability to cover expenditure .....	89
Table 10. Relationship between ability to cover expenditure and source of income .....	90
Table 11. Distribution of investment on housing .....	96
Table 12. Association between duration of tenancy and tenants tendency to maintain or invest on their dwelling unit.....	98
Table 13. Future Housing plan of tenant households .....	99
Table 14. Tenant’s opinion regarding the future tenure status of Kebele houses.....	101
Table 15. Tenant’s willingness to buy the Kebele house .....	102
Table 16. Association between income and tenant’s willingness to buy the house .....	103
Table 17. Association between tenants’ willingness to buy the house and their ability to cover expenditure .....	104
Table 18. Relationship between tenants willingness to buy the kebele house and investment on the house .....	106
Table 19. Relationship between income of tenants and the condition of their dwelling unit. ....	109

## Abstract

*The situation of residential Kebele houses, which make up 44.4% of the total residential housing stocks in Addis Ababa is worthy of study in the present context of a global housing policy of moving away from public housing to embrace a more market oriented housing sector. It is particularly important since this trend is also influencing the housing policy of Ethiopia in the country's period of transition to a more market oriented economy.*

*Kebele houses represent the largest proportion of public housing in the country at large and in Addis Ababa in particular, housing substantial number of urban households. The Kebele houses suffer from poor public administration and neglect which led to the deteriorating condition of the housing stocks. The houses also occupy large central places in the city, producing a negative city image.*

*This study has tried to assess the condition of the housing units and the situation of tenant households in selected two Kebeles of Addis Ababa; one located in 'Abnet' area and another in 'Kuwas Meda' area. The study has tried to assess the risks of lack of intervention and continuation of the current public tenure system on one hand and risks associated with interference on the other hand. Both of the Kebeles selected in the study are located adjoining the Mercato area. The Kebeles show similar characteristics in economic activities, occupation and livelihood strategy of tenant households.*

*The findings of the study in the two Kebeles show that Kebele houses are found in congested situation, with poor quality service and physical infrastructure provision and poor physical condition. But, unlike predictions of previous studies on Kebele houses, the houses are not falling apart getting beyond repair and turning out of use. The houses are kept standing by long term upgrading and individual maintenance efforts of tenant households.*

*The Kebele houses in the study areas have given shelter to the most vulnerable and poor urban households. Most Kebele house tenants in the study area depend on the double use of a residential Kebele house, and the location advantage it provides them with its proximity to central and market areas to earn their livelihood.*

*In addition, the findings show a mere transfer of tenure to sitting tenants through privatization is not likely to result in improvement of the condition of Kebele houses unless the dwellers are financially supported to undertake housing improvement and unless the problem of congestion is relieved.*

*Finally, the study has tried to indicate the severity of social cost that will be involved in government intervention and risks associated with continuation current public system of tenure.*

## CHAPTER ONE

### 1. INTRODUCTION

#### 1.1. Background/ Statement of the Problem

It was common, especially for countries that followed the socialist economic system to have the state play a major role in provision of housing service, often acting as the only significant actor in the sector. In some countries, the state intervention in housing has assumed a financial aspect where house grant, interest free loan or low interest loan, tax free mortgage and land grant are given to home owners or social rented housing organizations. The state has also intervened by regulatory activities, such as controlling price of rental houses rented out by private landlords or dictating the terms of security for tenants. But, mostly the state has intervened in the housing sector by producing or owning public houses, renting them and taking over the responsibility of managing the housing stocks (Kwok-yu,1997).

However, the beginning of the last decade has seen a general trend of diminishing role of public houses in the housing sector, in most parts of the world, as countries are retreating from a state dominated housing sector. This trend is more evident in transitional economies, where countries are leaving a command economic system to follow a market oriented one (Kwok-yu, 1997; Schlyter, 2000; Guzanova, 1998; and Hong Hank, 2000). Although arguments presented for decreasing the state's role in housing are varied, most of them circle around a few major points, which are derived from experiences of countries where the public sector played a dominant and sometimes monopolistic role.

The overall argument follows that, state domination on the sector has created a crisis situation in the housing system, i.e., housing provision, construction, supply and demand for housing etc., which has various dimensions and manifestations.

One dimension of the housing system crisis is the creation of a distorted housing market, which is manifested by decline in effective demand to own a house, distorted housing consumption and low affordability. In countries where the state dominated housing provision through subsidies and rental houses at below market prices, effective demand to own a house is reduced because of distorted market prices (PADCO, 1997). Thus the percentage of household's income allocated to housing is also very low indicating a distorted housing consumption trend, which is influenced by a distorted market. The system also reduces residential mobility, as the type and size of housing occupied by tenants is neither a function of income, nor affordability or need. Low residential mobility, housing occupation which is non-responsive to income or affordability and the housing market distortion thus converge to create an inefficient system of housing stocks allocation (Guzanova,1998).

The second dimension of the problem created by huge stocks of low rent public houses involves, the financial strain it puts on the public sector or the state. As practice of most countries where the state was involved in provision of low cost rental houses shows, the public sector operated by subsidizing housing service, pumping a huge amount of resources and subsidy into the sector without being able to recover the cost. The state carries the burden and management of public houses, while collecting insufficient revenue from the rent. This financial strain is manifested by lack of timely maintenance,

deterioration and generally poor physical condition of public or state owned houses (Kwok-yu, 1997).

Apart from being a financial drain on states, the system of subsidy is also criticized for its lack of targets. In most countries where, the state played a dominant role in housing provision, public housing accommodation is not a function of income, i.e., the targets are not necessarily the most vulnerable groups (Kwok-yu, 1997; Waldengrave, 2000; and PADCO, 1997).

A third dimension of the housing system crisis is poor housing management of the public sector, as opposed to the private sector, which is manifested through deteriorating and dilapidated public housing stocks and low investment on the house. Public ownership, unlike private ownership doesn't give incentives to effectively and efficiently manage housing stocks. This is because investment on the house cannot be capitalized by a specific party, i.e., owner. Tenants may not care to efficiently manage the houses and invest on them because improvement in the value of the house is not capitalized by them. However, where there is rent control and protection of tenants from eviction, tenants may invest on the house, anticipating extended benefits from home improvement through long term occupancy (V.Lall, Dutchman, Lundberg and Chaudhury, 2002).

In Ethiopia, the general housing picture shows a widening gap between housing supply and demand, a backlog that has been accumulating for a long period of time. During the previous socialist government's regime, the gap has been created when profit from housing investment was undermined, pushing the commercial private sector out of the

housing suppliers market (Zewdie and Zeleke, 1998; and Esayas, 2000). Currently the supply and demand gap in housing is further widening by many legal and policy constraints, which are hindering development of the sector. From the supply side, the system of plot delivery or land acquisition for housing construction is complicated and slow. Infrastructure delivery and production of serviced plots for construction is poor. Building and construction regulations require unrealistic high standards, which are often unaffordable, while price of standard construction materials is very high. There are also regulations such as capital gain tax and overtaxing rental income tax that do not give incentive for the private commercial sector to play part in the housing supply market (Tamirat, 1998; PADCO, 1997; and Esayas, 2000). From the demand side access to housing finance is now reduced. The removal of previous soft loans and housing subsidies for individuals building their own homes, coupled with low income reduces affordability and adds to the accumulated housing service provision backlog (Zewdie and Zeleke, 1998).

Similar to other countries where the state played a major role in housing service provision, in Ethiopia the state has been the major actor in the sector for a long time. In Ethiopia the form of state intervention on housing sector, has included a financial aspect, during the period of the socialist government, by giving soft loans and subsidies to housing cooperatives and individual homebuilders (Esayas,2000). But the more pronounced form of state intervention is state ownership of public houses where the state kept and managed huge stock of public owned rental houses. These are Kebele rental houses and rental houses under the Agency for Administration of Rental Houses

(AARH), which came under the state's possession after being nationalized in 1975 (NUPI,1988).

Kebele residential rental houses, which currently make up 44.4% of total residential housing stocks in Addis Ababa, are the focus of this study. Most of them have been neglected for a long time under inefficient public management, which can be witnessed from their deteriorating physical condition (NUPI, 1988; and PADCO, 1997).

The revenue gained from the rent of Kebele managed public houses, i.e., the residential ones, is very minimal since the rent prices were fixed far below real market prices in 1975 and have remained frozen ever since. Thus the revenue collected is insufficient to pay for recurrent expenditure such as management and timely maintenance of the houses (NUPI, 1988). The tenants of the residential Kebele houses are being subsidized at the expense of the future value of the house.

Kebele managed rental houses constitute half of the housing stocks in the city, and as such their distorted below market rent price has reduced residential mobility of households, distorting income allocated to housing consumption. The houses also possess poor infrastructure service delivery and poor quality, which is the result of factors such as, lack of timely maintenance, overcrowding etc (NUPI, 1988).

The current state of Kebele houses, thus, has shown that the present public management of the Kebeles is not fit to shoulder the responsibility of managing such huge stocks of housing units. The accumulated arrears and the lengthy maintenance procedures have

made it clear that Kebele houses require a better, more effective and efficient management (NUPI, 1988).

In short, continuation of the current system of public housing, especially in the case of Kebele houses, means incurring increasing cost in many aspects. As it is briefly outlined above, the Ethiopian version of state intervention in the housing sector through ownership and management of public rental houses has undesirable results. The consequences witnessed here fits to the crisis situation faced by other countries, where the state used to play a dominant role in provision of housing service. Residential mobility is very low. Housing occupation in the public sector is not responsive to income, household size, affordability or need. It is also proving to be a financial strain not only to maintain the housing units but also to pay for their management and associated recurrent expenditure. And the poor management has already resulted in deterioration of a very large amount (80%) of the current Kebele managed housing stocks (NUPI: 1988).

Finally, taking into account the problems of publicly owned houses and the particular case of Kebele managed public houses in Ethiopia, it is clear that there is a need for modification or change in the present system of tenure, ownership and management of the houses, so as to bring about an efficient housing market and efficient allocation of housing stocks in line with the transitional economy the country is following. The changes need also to take into account promotion of affordable housing and overall improvement of housing quality, which are also policy goals of the government in the housing sector. And most importantly the changes should take into account the existing

legal and financial infrastructure that governs the housing sector, which is also briefly mentioned above, as changes in tenure status alone cannot bring about the desired goals.

## 1.2. Objectives of the Study

### *General Objective*

The overall objective of the study is to assess the risks associated with government inaction, i.e. continuation of the current system of tenure on one hand and government action or interference to change the tenure system on the other hand, and the impact it has on the condition of Kebele houses and their dwellers.

### *Specific Objectives*

- Identifying problems inherent to the current tenure system of Kebele houses, and pointing out the major weaknesses in the public administration of the housing stocks
- Identifying the investment pattern of tenants on the houses they live in, its association with tenant's sense of having security on their tenure.
- Identifying the aspirations of the tenant households regarding the tenure arrangement of Kebele houses, their interest to own the housing units and the resources at their disposal
- Identifying typologies of Kebele house tenants based on their socio-economic status, which is indicated by income, employment, sex of household heads and find out how different alternative tenure systems may affect households in those categories.

### 1.3 Research Questions

- What are the dimensions and manifestations of the problems of Kebele houses, and their tenure system?
- What has been the result of mal administration and neglect of the state of Kebele houses for a long time?
- What are the desires and home ownership aspirations of Kebele house tenants?, And how has these been affected by government policy, action or inaction in the public housing sector?
- What is the investment and maintenance trend on Kebele houses, by the tenants themselves and how is this associated with security of tenure and public ownership and management of the houses?

### 1.4 Significance of the Study

Housing is an essential element in the creation of a livable urban environment and urban quality of life because of its function as shelter and source of livelihood opportunities.

Housing is relevant to improve urban quality of life in association with factors such as;

- The access it gives to services and physical as well as social infrastructure
- The access the location and space of the house gives to income generating activities
- The value of the house as an asset to fall back on in times of need, and as a means of curbing urban poverty. (Amis 1995; Payne 2001; and Lowe and Schilderman, 2001).

Public housing forms an essential part of housing service provision in many parts of the world. The realities of Ethiopia are not much different. Kebele houses make up the

largest proportion of public houses in Ethiopia. They also form 44.4% of residential housing stocks in Addis Ababa.

Economic liberalization and structural adjustment programs in the last decade, especially in previous socialist and communist countries, have set off a trend of global housing policy change that is retreating from public housing system. This trend is also influencing the Ethiopian housing policy which tries to follow a more market oriented approach in the housing sector as well as in others. In this national and global context, thus, it is essential to study the situation of Kebele houses and the tenant households, to assess the impacts of disposal of public houses. The importance of this study lies in providing relevant information on the current state of Kebele houses and their dwellers, the socioeconomic status of tenant households, their needs and aspiration as well as resources with in their means, adding to a body of knowledge available on the issue.

### 1.5 Research Methodology

The methods employed in the study include a field survey and focus group discussions as a basic means of data collection with the use of secondary resources whenever necessary.

The study area includes Kebeles located in Addis Ababa from which representative Kebeles and residential Kebele houses are selected following a statistical approach in line with the purpose of the study. The study includes Kebele houses rented for residential purpose only.

### **1.5.1. Sampling Method**

The list of all residential rental Kebele houses found in Addis Ababa is used as a sampling frame, from which sampling units of Kebele administered residential rental houses are selected. The individual units of analysis are households and housing units, which are selected from the sampling units.

The system of sampling used is a multi-stage cluster sampling method. Initially from the sampling frame that contains all Kebeles in Addis Ababa, Kebeles containing above average percentage of Kebele houses are selected. After that using the simple random sampling method two Kebeles are chosen from which the sampling unit of Kebele houses is selected. At the final stage of the cluster, 100 residential Kebele rental houses from each of the two Kebeles are randomly selected, forming the sampling unit of 200 residential Kebele rental houses.

### **1.5.2. Study Instrument**

The Field survey is conducted by administering questionnaires to some 200 residential Kebele house tenant households and by holding focus group discussions with informants selected from the tenant households and Kebele officials. Information obtained from the focus group discussions is used to fill the gap left from the information obtained through the questionnaires.

### **1.5.3. Method of Analysis**

- The process of analysis has been done using SPSS( Statistical Package for Social Sciences)
- Descriptive statistical methods of analysis, such as, frequencies, percentages and crosstabs are employed to analyze the data collected through survey. Major characteristics of Kebele houses and tenant households are described.
- Analysis has also focused on attempting to identify relationships between variables especially between key variables.

### **1.6. Limitations of the Study**

The study sample is taken from the central part of Addis Ababa where most Kebele houses are also concentrated. The Kebeles from which sample households are selected constitute the highest concentration of Kebele houses in Addis Ababa. Kebele houses form 78.3% of total residential housing stocks in Kebele 20 of Woreda 7 and 74.3% of total residential houses in Kebele 27 of Woreda 4. Both Kebeles are located around the 'Mercato' area. Thus, samples are collected only from the central part of the city. Peripheral Kebele houses from different parts of the city are not included in the sample selected, due to time and resource constraint, which could have made the study more comprehensive. Nevertheless, the origin, history and age of Kebele houses is similar, whether they are located at the center or the peripheral parts of the city, since most are houses nationalized in 1975. Therefore, the findings and implications of the study can fairly apply to all Kebele residential houses in the city.

## CHAPTER TWO

### 2. THEORETICAL BACKGROUND

#### 2.1. Conceptualizing Housing

Housing is a broad concept that can be defined in a number of ways with different connotations. Housing can be defined as “a mere shelter, a stock of dwelling or living quarters, consuming all separate premises, vacant premises, as will be used for human habitation, whether or not they are originally designed for that purpose” (UN cited in Zeleke, 1998:65). Yet the concept of housing stretches farther, beyond mere shelter, as it has not just a physical but a social and economic context as well. Donnison (1969:23) defines housing as “a home, a store room and a show case for possessions; a mark of status; a base from which everything else necessary for livelihood, such as place of work, social services and facilities is accessed.” Donnison’s definition portrays housing as a source of livelihood or a means of access to livelihood opportunities, a reflection of standard of living and prevailing income in-equalities in society as well as shelter.

Housing and its location plays a central role in livelihood opportunities of households, especially low income and poor urban households; and mostly the urban poor of developing countries. Residential houses are often used for income generating activities by the urban poor which forms part of their survival strategy (Payne, 2001). The housing space is important in as much as it can be used for informal economic activities or has rooms rented out to supplement income of the households (Lowe and Schilderman, 2001). The location of the house is also important in relation to the access it gives to livelihood opportunities. For example, housing location in mixed land use development areas, where formal and informal economic activities flourish creates employment

opportunities (Payne, 2001). Housing is also important in relation with its value as an asset that can be used as security against credit. Particularly, to the urban poor it serves as an asset to fall back on in times of crisis and shock and enables them to withstand crisis situations (Amis, 1995). In short, housing is very closely tied with survival strategy and livelihoods of the urban poor, as a source and place of income generating economic activity and an asset in times of crisis.

Housing in a country is also a general reflection of standard of living. While income, education and employment directly account for differences among people in standard of living, housing is both the product and expression of these differences. Improvement in housing, creation of a healthy and decent housing environment, also leads to a favorable climate for pursuit of education, in turn leading to better employment and desire for better living condition (Lipman, 1969).

Thus, the association housing has with livelihood opportunities, social services and infrastructure as well as standard of living makes it an essential element in creation of a livable urban environment and improvement of urban quality of life (Lipman, 1969).

The importance of housing is also associated with its economic value, as an industry that has a wide impact on the national economy. The housing construction industry is a large employer with the value of its outputs constituting a significant proportion of a country's gross national product. The housing industry is also affected by developments in the national economy, growth and recession, which also affects demand for housing and

affordability which in turn influences housing supply, in terms of houses produced and prices of housing units (Harriot and Matthews, 1998).

## 2.2 State Intervention in Housing Provision

Prevailing income inequalities in the developed world creates a situation where housing for the poor, low income group lags very much behind the housing standards achieved by the rich. In many developing countries as well, the housing condition of the poor is less desirable not just in comparison with the housing condition of the rich and middle class, but the majority of the low income live in unhealthy environments, lacking the minimum required housing service and facility. Thus, the income inequality and the less desirable housing standards of the poor usually bring in the state into the housing market to promote and subsidize the building and improvement of houses (Wheeler, 1969).

Accordingly, housing in most modern welfare societies is described as both an individual market commodity and a public good demanding state involvement. Since housing is a commodity of great importance to citizens and cannot be supplied to all at appropriate price and quality in an unregulated market, it earns the status of being a public good or service that requires state intervention. However, at the same time, no country has ever been able to completely do away with the need for market provision of the housing service and thus housing earns its status of being a market good (Bengtsoon, 2000).

The state's intervention in the provision of housing has always been explained by the concept of "a right to housing". Explaining what the concept of a right to housing means, Bengtsoon (2000) presents two different views that shape the form of state intervention in

housing in most countries. A selective housing policy is one view that legitimizes state intervention in housing provision by putting housing as a legal right, which even the poor and vulnerable, economically less viable groups of society have a right to get from the state. This view favors a form of state intervention that selectively targets those vulnerable groups. A universal housing policy, on the other hand considers housing as a social right, where the state has responsibility to see to it that all citizens have a right to a certain standard of housing. Here the form of state intervention does not have specific targets, but overall makes entitlement to housing easier for all groups of society (Bengtsoon, 2000).

As the theories behind policies of intervention in housing differ, the form of state intervention in housing, also differ from place to place. The conventional form of state intervention in housing both in developed and developing countries is financial assistance. In financial intervention the state alters the price of dwellings or raises the purchasing power of households by giving grants, interest free or low interest loans for housing producers or consumers, land grants for social housing or tax reduction etc (Kwok-yu, 1997).

However, this conventional system of subsidy can't reach down to the poor whose incomes are too low or too insecure to borrow (Donnison, 1969). Housing finance schemes serve a limited type of people from the low income groups. Those in the informal sector do not benefit. The poor in moderate and low income households need to rely on their own resources for incremental house building because the formal credit facilities are not available to them (Environment and Urbanization, 1998).

Housing regulations are another form of state intervention. The state intervention through regulatory framework governing the housing sector usually included controlling rent price of private and public rental houses or dictating the terms of security offered for tenants and stipulating housing standards (Kwok-yu, 1997).

The major form of giving housing assistance to low income people in most welfare societies is subsidized rent or low rent public houses (Lipman, 1969). Public housing which is also alternatively called social housing is a housing service provided by an organization, which does not seek to make profit. It can be provided and managed by local governments, municipalities or organizations outside the formal state apparatus (Stephen and Harriot, 1998). The nature of public housing very much depends on the theory behind the state's policy of intervention in housing. A state's housing intervention policy guided by a social right to housing, allows for development of public housing available to any income group of society since the state's role here is to make entitlement for housing easier overall (Bengtsoon, 2000). On the other hand, a selective intervention policy that requires the state to intervene in housing only to assist the vulnerable low income groups allows for development of public housing that provides homes only to households which find it difficult to obtain a home in private housing markets, due to low income or lack of affordability (Harriott and Mathews, 1998).

### 2.3. The Global Shift of Housing Policy

The beginning of the last decade has seen a general trend of diminishing role of the public sector in housing provision, in most parts of the world, as countries are retreating

from a state dominated housing sector. The more market and less state involvement approaches in housing are taken as part of the structural adjustment program packages of the last decades. This trend is more evident in transitional economies of central and Eastern Europe as well as Asia, where countries are leaving a command economic system to follow a market oriented one. The transition from the communist system to the market system has left its marks on the country's housing sector. Often, previously state owned and administered public houses were transferred to the private hand either through privatization or restitution (Kowk-yu, 1997; Schlyter, 2000; Guzanova, 1998; Hong Hanh, 2000; and Faure and Sloviev, 2002).

Harloe describes this trend as a policy shift from a mass model to residual model of housing provision. This means a move away from mass housing subsidy where there are no specific targets to a residual model where the focus of state intervention are specific low income or marginalized groups. Encompassing those vulnerable groups in small-scale programs to give them access to shelter defines the sphere of state intervention (Foldi, 2002).

Kemney, on the other hand describes this trend as a housing policy shift from a unitary system to a dual system. The change in policy here is portrayed as a replacement of dominant public housing system, where the state is the major provider of housing service, by a system that accommodates the market and other actors other than the state (Foldi, 2002).

Foldi's explanation of the global housing policy shift combines both Harloe's move to residual social housing and Kemny's dual housing system. Foldi sees the last decade's development in the housing sector as a shift to more market and less state role preference in the sector. The normative rules followed are fewer subsidies and less interference by the state, creating conducive condition for housing market operation and targeting housing subsidies. Over all, where the housing policy shift has taken place, states' are declining their role in housing regulation, increasing public rent to market levels and giving less or no subsidy for construction of social housing. In addition, generic (object) housing subsidy is being replaced by housing allowance, a financial subsidy that targets households in greatest need (Foldi, 2002).

The UN endorsement of a global shelter strategy in 1988 and the consequent development of a housing conceptual framework by Habitat crystallize the on going global policy shift in housing policies. In 1988, the UN general assembly endorsed a global shelter strategy for the year 2000, which aimed to shape the housing sector of countries in the 21<sup>st</sup> century. The strategy which was part of the economic reforms and structural adjustment program packages of the last decades, envisaged a future of housing sector where there will be less government intervention, less regulation and more efficiently working market. Following the endorsement, the UN center for human settlement, Habitat, initiated a housing indicators program in 1990, the aim being development of a general conceptual analytical and institutional framework for housing sector management that would have world wide applicability (Priemus, 2000).

The framework gave emphasis to a more market and less state approach in the housing sector, residual public or social housing and development of a supportive legal and financial infrastructure in the sector. The less state and more market approach entails development of a housing market and involvement of multiple actors in the sector, less direct involvement of public sector housing and reducing price distortions. The state is expected to play the role of an enabler and public-private partnership is encouraged. State's subsidy in housing is supposed to target only the vulnerable group who can't afford minimum standard housing with out assistance, following Harloe's model of a policy shift from a universal model to residual model of public housing (Priemus, 2000).

The framework not only focused on more market and less state roles in housing provision but also underlined the importance of financial and legal infrastructure that helps to make housing affordable and available for the majority. In this respect development of flexible and affordable construction standards and building regulations, less bureaucracy and affordable bureaucratic cost that encourages formality and compliance are considered important. Making land available for housing construction, and creating an amicable environment for the operation of housing finance institutions were also put as steps towards building conducive financial and legal infrastructure in the sector. In addition, encouraging the initiatives of the informal sector, formalizing squatter settlements and providing them with services and infrastructure are proposed to realize the policy goals of making housing affordable and available for the majority (Priemus, 2000).

The framework, listed out general factors that influence housing supply in a country, which includes; cost and availability of inputs, such as land, infrastructure and building

materials as well as the overall regulatory housing environment. Regulations that govern the production and supply of serviced plots for construction, building standards that allow construction with locally available materials, bureaucratic procedures of giving access to license to housing producers and laws that govern the taxing system of profits from housing, rental houses, etc are all legal infrastructures in the housing sector that influence housing supply. Likewise, housing demand is influenced by demographic factors, finance and subsidies in a country. Thus, regulations that dictate security of tenure to public and private rental house tenants and laws that govern housing finance institutions and their development are the legal and financial infrastructures that influence demand for housing (Priemus, 2000).

In short, the framework while opting for less state more market approach in housing provision, it recognized the financial and legal infrastructures that need to be there for such an approach to realize its objectives.

Finally, in line with the current global shift of housing policy, today, there is a general trend of diminishing role of the state and especially public houses in the provision of the housing service, in most parts of the world.

The retreat from a state dominated housing sector has assumed different forms in different countries (Faure and Sloviev, 2002). Where the state has intervened by providing housing grant, interest free loans or low interest loans or free mortgage tax for house builders; definancing, i.e., the withdrawal of state financial responsibilities in the housing sector is followed. Deregulation, i.e., relaxation of regulatory means of

controlling the housing sector is chosen as a means of state withdrawal elsewhere (Kwok-yu, 1997). Where the state has intervened in the housing sector by producing and managing huge public rental housing stocks, which was the most common form of intervention in previous socialist and communist countries, the form of withdrawal has assumed disposal and disengagement.

Disposal refers to the transferring of tenure-ship of public housing stock to the private hand either through privatization or restitution. Disengagement refers to contracting out the management of public houses to private management, and refraining from more production of public houses, encouraging increasing role to be played by the private sector (Kwok-yu, 1997). Disengagement may also entail a move from universal public housing model to a residual housing model because it supports extending assistance to the most vulnerable and needy groups of society and replace generic housing subsidy with financial housing subsidy (Kwok-yu, 1997; and Foldi, 2002).

Although the form of state intervention and consequent withdrawal, in this global shift of housing policy, assumes a wide range of forms, the objective of the paper is to deal with, low rent public housing and the consequent disposal or disengagement of the state by transferring ownership to the private hand. Therefore, the next sub-section will deal only, specifically with rationales given for the privatization or disposal of low rental public houses by the state.

#### 2.4. Rationale behind Disposal of Public Houses and Diminishing Role of Public Housing.

The rationales behind diminishing the role of public housing and disposal of public housing stocks often rely on the experiences of countries where the public sector played a dominant and sometimes monopolistic role in housing provision. The overall argument follows that state's domination of the sector has created a crisis situation in the housing system, i.e., housing provision, construction, supply and demand for housing etc, which has varies dimensions.

One dimension of the crisis and the rationale behind the disposal of public housing stocks is the financial strain a state dominated housing sector entails. As practice of most countries where the state was involved in provision of low cost rental houses shows, the public housing sector operated by subsidizing housing service, pumping huge amount of resources and subsidy in to the sector without being able to recover the cost. The low rent collected, does not cover maintenance and re-current expenditure for the up-keep of the houses. The financial burden thus usually leads to neglect, deterioration and decay of public or state owned housing stocks (Kwok-yu, 1997).

Apart from the financial burden presented by huge stock of low rent public houses, the system of tenure of public houses itself contributes to poor management and consequent deterioration of the houses. Public ownership, unlike private ownership doesn't give incentives to effectively and efficiently manage housing stocks. This is because investment on public houses cannot be capitalized by a specific party, i.e., owner. Tenure security is important for individuals to invest on their dwelling units. Tenure security here

refers to whatever investment made on the house being capitalized in the home's value and accruing to the investor. Homeowners are at the top of the tenure security list because they can gain extended benefits from their investment on their house. They have exchange rights to the property through which they may collect capital directly from the value of the house. On the other hand tenants may not care to efficiently manage the houses or invest on them because improvement in the value of the houses does not accrue to them (V.Lall, Dutchman, Lundberg and Chaudhury, 2002). Thus transferring of housing stocks to better management, increasing home ownership and tenure security in order to encourage investment on housing and secure better quality housing units is one rationale behind the disposal of public housing.

Another rationale behind public housing stock disposal deals with the market dimensions of the problem. Low rent public houses create dependence on the state for housing. Public tenancy with its low rent price tends to create a sense of tenure security among tenants that does not give them an incentive for saving (Waldegrave, 2000). Low rate of saving in turn reduces affordability and effective demand for housing, i.e., capacity to rent or build a house (PADCO, 1997). Lack of effective demand and low affordability in turn strengthens dependence of households on the low rental public houses. Locked in such a viscous circle, tenants in this system often do not try to improve their housing situation and remain dependent on the state for life.

This dependency on public housing also reduces mobility, because housing occupation is not responsive to household size, income or need. Households usually do not change or

move out of public housing as their income increased, or household size changes (Waldegrave, 2000).

This form of distorted housing consumption and reduced mobility in turn leads to inefficient allocation of housing stocks. As housing occupation is not a function of income the most valuable houses located in prime areas are not occupied by those who can pay more. Therefore, as urban land as well as housing is not efficiently used economic wastage occurs. Disposal through privatization of public housing stocks thus leads to efficient reallocation, because it encourages mobility of people to houses relative to their income and economic capacity required for up keeping and eliminates economic wastage (Guzanova, 1998).

Related with the market dimension of the public housing problem another rationale for disposal of public housing stocks is the need for urban renewal. In most countries where there is a financial strain on the state to cover up-keeping cost of public houses, due to the low rent revenue raised, the houses will be neglected and degenerate into slums. Furthermore, the inefficient use of urban land produced by inefficient allocation of housing stocks allows the inner city prime urban land to recede into decay. Thus privatization of the houses, handing them over to a private hand that will manage them better and renovate them and reduction of economic wastage through reallocation contributes to urban renewal (Foldi, 2002).

Another area of criticism of the public low rental-housing sector concerns the problem of inability to target housing subsidy to those who need it most. Housing subsidy is essential

to give access to housing for the poor and low income groups (Environment and Urbanization, 1998). However, according to experiences of many former socialist and communist countries, the low rental public housing system usually targets a limited group of the population. And they were not necessarily the vulnerable groups who cannot get access to a minimum acceptable standard housing without assistance. The state benefited those in public rental houses, while ignoring the majority of the vulnerable group in private rentals (Waldegrave, 2000). Thus disposal of mass subsidies of rental public houses and replacing them by a residualized public housing system that targets directly only the vulnerable groups who can't have access to housing with out assistance is taken as a desirable step (Environment and Urbanization, 1998).

Encouraging home ownership for its benefit in poverty alleviation is another reason behind the disposal of low rent public houses. Recent World Bank and poverty literatures are emphasizing property rights as means of curbing urban poverty by giving access to assets for the urban poor (De Soto cited in Payne, 2001). In line with this, encouraging home ownership is increasingly being seen as an effective system of poverty alleviation, because housing can serve as a social asset, saving and insurance in time of crisis. It can also serve as security for getting credit from formal and informal institutions. Thus encouraging home ownership can be an important part of the welfare system, as much as low rental houses (Conley, 2000).

Finally, the rationale behind disposal of huge public housing stocks is also to end the dominance of the state in the sector, leaving room for other actors to play an increasing role in housing provision and to mobilize all available potential resource for housing.

This means tapping the potential of individual household resources and also tapping into the potential of the market (Hong Hanh, 2000).

## 2.5. Experience of Countries in Disposal of Public Housing

### 2.5.1. New Zealand

Public low rental houses were part of the social welfare program in New Zealand. However, in 1992, a housing restructuring act came up, which revised the housing welfare system. Low rental public houses were replaced by an income supplementing housing subsidy to all vulnerable and low income groups. The public houses were offered to sitting tenants at market price and rents of the houses increased to market levels to push more and more tenants in to purchasing their dwelling units. The cushion offered to vulnerable groups was financial subsidy for housing to decrease the hardship they will face if they remain as tenants and are supposed to pay the increasing rental price of the public house, while at the same time encouraging them to save and buy their own house.

The rationale behind the reform was that the previous low rent housing system failed to target the vulnerable group who needs housing subsidy, encouraged distortion in housing consumption and the inefficient allocation of housing stocks. The low rent houses failed to target the vulnerable group because those who were benefiting from the low rent subsidy are only those who are in public rent, while the poor in private rent were neglected. Thus, the reform was supposed to direct housing subsidy in the form of supplementing income to all vulnerable groups who can not attain the minimum standard housing with out assistance.

The previous system also created distortions in housing consumption, by reducing incentive of households to improve their housing situation, such as through saving for housing, which is a reflection of their dependence on the state. The standardized low rental houses also gave few options of housing accommodation to low-income households. The distorted form of housing consumption and having few options of housing accommodation in turn reduced mobility and led to inefficient distribution of state houses. As occupation of state housing is not a function of income, affordability or household size public house tenants rarely moved out or changed accommodation as income increased or through their lifetime as households' heads retire and children move out etc.

Hence, in short, the driving forces of the reform of public housing in New Zealand were the need to evenly distribute housing subsidy and exploit the commercial value of public housing while at the same time assisting the low-income groups in housing accommodation.

However, the consequent outcomes of the reform were far from what was envisioned in the reform objectives. As the study undertaken by Waldegrave revealed, in the aftermath of the reform, overall incidence of poverty increased among the vulnerable households, prevalence of overcrowding increased and previously enjoyed security of tenure by public house tenants disappeared.

As the public house rental prices increased, even with the provision of housing subsidy supplementary income, tenant households began paying 50% or more of their income on

housing. Previously public house tenants never paid above 25% of their income for rent. In instances where tenants were not able either to buy the public house or continue to rent it at market price the public houses were sold to outside buyers and tenants were forced to be homeless or move in with relatives etc, living in highly crowded conditions. Crowding also increased as people who cannot afford housing began to live together with those outside the immediate family circle, because joint income is needed to rent a public or private rental house.

The reform did not provide more housing choice for low-income people through market provision as planned. Housing costs increased both in public and private rental houses and people had to pay more for housing by paying less for food or other necessities. Eventually, tenants who were previously above the poverty line were pushed below the line and those who were below the line went further down.

Previous tenure security enjoyed by public tenants also disappeared after the reform. Waldegrave summarized the consequent reduction in tenure security in one statement. "The reform wanting to provide assistance to all low income households, with out discrimination between those in private rent and public rent, ended up in pulling everyone down to the insecure level of those in private sector rentals."

Finally, the reform was not followed as a lasting approach to solutions for housing problems in New Zealand. The reform did not enjoy public support. And it was reversed when in December 2000; a labor party government came to power, and returned all the remaining state rental houses to their previous low rental status (Waldegrave, 2000).

### **2.5.2 Lusaka, Zambia**

In Zambia before privatization started in 1996, the overall housing sector was characterized by very low rate of formal housing production due to prohibitive and complicated regulatory framework, most owner occupied houses being squatter settlements. Public rental houses were associated with employment benefits and they were occupied by government employees or employees of the local councils. The economic context in which privatization took place is also when structural adjustment programs were being implemented through out the country cutting down government subsidies and bringing hardships to many households, such as loss of jobs, due to layoffs from the public sector.

Privatization of public houses in Lusaka, Zambia was carried as part of the economic liberalization and structural adjustment packages the country was undertaking. Privatization took place by selling public rental houses to sitting tenants who chose to buy the house, at very low price and planning to raise the rent of the public houses to commercial level at some time in the future. Discount on the selling price of the houses was given on several accounts, such as, quick payment and good record of rent payment. In order to reduce hardships that result from the sale of public houses, grace periods were given for payment of rental arrears.

However, the predetermined raising of rent price of public houses to commercial level did not take place. Since those who could not afford to buy the house at the offered low

price couldn't also afford to continue as tenants in commercial price rented public houses, the decision to raise rent has not been implemented. The deadline of grace period given to complete payment of rent arrears was also being continually extended. The political volatility of the situation led to unending postponement of decisions.

The outcomes of privatization in Lusaka differed slightly from middle class neighborhoods to lower class neighborhoods. The public houses in the middle class neighborhoods were in good condition and sold at very low below market prices. Social gentrification in residence was created as middle income households moved in and the poor moved out to lower income areas, renting their newly purchased house and using the money from rent to repay the loan they incurred to buy the house. However, the low income households retained ownership, and the houses become an asset from which additional income was gained or security against credit.

In lower class neighborhoods, the public houses were of low quality and not well serviced. These houses were sold to sitting tenants at give away prices; meaning tenants were required to pay only the transfer of title deeds when they retain ownership. In those neighborhoods, after privatization, many extensions were built by tenants and rented out. Here also the houses become important assets to the low income households. Rental houses increased in number as well as multi habitations due to extensions built, but private rent prices and terms of security did not improve for the private house tenants.

In Lusaka, local governments seemed to be the only ones who lost out in the process of privatization. The revenue, which they previously gained from rent, was lost and no

significant profit made from the sale of the houses because they were given away for free or at very low prices. The public houses were a source of revenue and not a strain on public budget, as the government did not spend money on housing maintenance or renovation. Therefore, after privatization no substantial infrastructure build up took place, nor production of serviced plots and neither construction of formal houses (Schlyter, 2000).

Finally, looking into the privatization of public houses in Lusaka, Zambia, it becomes clear that the government was able to avoid large-scale social disruption for the following reasons.

- Privatization of public houses was by choice of sitting tenants and the vulnerable groups were not forced to destitution, because they still retained the option of continuing as low rent public house tenants.
- The government tried to minimize the social hardships that will follow privatization as much as possible, even to the extent of giving public houses for free or selling them at give away prices.

The result was while avoiding social disruption, the government failed to raise revenue from the sale of the houses and to bring significant improvements in the housing sector. Yet, on the other hand, it created asset on the hands of former tenants, empowering them in a way. However, the beneficiaries of privatization were the already favored group, those who had access to public housing as part of their employment benefit.

### **2.5.3. Budapest, Hungary**

The rationale behind the privatization of public houses in Budapest, was mainly the financial strain, the houses were causing on the state and the need to renovate central neighborhoods, in which the public houses are located. The money obtained from the rent was uniform and low unable to cover costs required to maintain and renovate the houses. As a result the neighborhoods were deteriorating into slums.

When privatization of public houses took place by offering public houses to sitting tenants at very low cost, tenants bought the houses, fearing increment in rent of public houses. However, the public houses were in poor condition, deteriorating, due to years of neglect under public management. Consequently, the tenants, who often took small scale maintenance activity on their dwelling units, were unable to meet the costs of renovation, after privatization took place. As a result, privatization was not able to achieve neither better housing maintenance, nor improvement and renovation of public houses, nor urban renewal of neighborhoods deteriorating into slums. But it created residualization of social housing and worsening of neighborhoods where public houses are located.

Consequently, the Hungarian approach towards privatization of public houses changed. And now instead of privatizing all public houses, some were retained, renovated and rented at higher but below market prices (Foldi, 2002). Here, the state did not opt for withdrawal from the public housing sector, but rather continued to be provider of rental houses, at slightly lower cost than market prices and retaining better quality public houses, while at the same time accommodating other actors in the housing sector. The shift in housing policy is more in line with Kemney's dual approach to housing provision.

#### **2.5.4. Hanoi, Vietnam**

The rationale behind the privatization of public houses in Hanoi, Vietnam was the need to mobilize potential resources for housing, opening room for other actors to play a role in housing provision and to relieve the state's burden of public house maintenance and to reduce dependency on the state for housing.

Public houses were offered to sitting tenants at very low below market prices. However, privatization from the outset was met with strong public opposition. The long standing public housing system has created dependence on the state for housing and security of tenure for tenants to the extent that they saw no apparent difference between being state tenants or owner occupiers. On the other hand, the houses were not attractive properties to buy, since they are in deteriorating condition due to years of neglect; and most are attached houses with shared Kitchens and bathrooms. Thus they were not attractive as properties and maintenance need of the houses discouraged buyers. On top of this, the tenants were also poor and unable to afford purchase of the houses, even when they were offered far below real market prices. Consequently selling has been delayed, especially in case of attached public houses, apartment houses and those located away from the city (Hong Hanh, 2000).

#### **2.5.5. Shenzhen, China**

In Shenzhen, China, public housing was part of employment benefits provided for public employees as in kind payment. The targets of housing subsidy were only public

employees with permanent resident permits. The rationales behind privatization in Shenzhen were the financial strain the state was facing from recurrent and capital expenditure of public houses, the need to improve housing consumption patterns and pull together more potential resources from other actors in the housing sector.

The state was constructing huge stocks of public houses and renting them at very low prices to public employees as in kind benefits. The revenue collected from rent was not able to cover the recurrent expenditure of running and maintaining them and it operated at a deficit. The state being the major provider of the housing service also drained state finances while discouraging other actors from participating, thus resulting in the weakening of private housing production, the construction industry and building material sector. Housing was also over consumed; the amount of household income allocated to housing consumption was very small. Only around 1.5% of annual household income was spent on housing consumption.

In addition, the system of subsidy also benefited only public employees with permanent resident permit, drawing a distinction between public employees; civil servants and government employees being the favored group over public enterprise employees. Housing subsidy was not targeting the most vulnerable group.

In Shenzhen, when public houses were sold to sitting tenants, the strategy of privatization followed included;

- Raising rent of public houses as an economic tool to direct part of non-housing expenditure into housing consumption through home purchase or to push more and more households into purchasing a public flat, as an incentive.
- Substituting in kind state housing provision by cash subsidy as a cushion during rent raise and to help households to save and purchase the public house
- A circulating housing fund was also created, where with the revenue gained from the sale of public houses the state constructs additional public houses for sale, gradually increasing price of sale of public houses from welfare to low profit, and finally market price. In the mean time employees' affordability will be raised as their in kind housing benefit changes to cash subsidy.

The aim of privatization was to gradually cut the financial burden of the state in public housing provision, increase saving for housing among employees and drawing upon individuals finance for housing and gradual transition of public houses from welfare houses to commoditized houses.

The outcomes of the privatization process, in brief, were the following;

- The state did not withdraw from provision of the housing service, but continued to play the major role in production of houses. Other actors in the private sector did not play increasing role in housing, and the state owned enterprises did not operate under market conditions. The state cut back its recurrent expenditure on public housing and continued producing the same amount of houses but, for sale at less cost and less subsidy.

- The targets or beneficiaries of the privatization process were still the formerly favored group of public tenants and among them government employees and civil servants.

The socialist housing system in Shenzhen developed with state employees and their moderate flats on one hand and temporary residents and dormitory provisions or squatter settlements, which do not enjoy public services such as, water and electricity, on the other hand. The difference in entitlement to public sector housing and ownership, via privatization has led to further segregation and in-equality and continuation of previous status-quo.

The aim of privatization in Shenzhen was also to increase home ownership, provide more choice for housing and the supply of housing being taken over by a responsive provider than the state. But on the contrary, after privatization, while owner occupation increased, the state remained the main provider of housing service. There was massive production of houses by state enterprises but with less effective demand because of low affordability despite housing finance subsidy (Kwok-yu, 1997).

## 2.6. Outcomes of Disposal of Public Houses and Their Indication

The expected outcomes from the disposal of public houses, based on the rationales given for privatization, can be viewed from the dimensions of socio-economic wellbeing of tenants, the housing market and urban center development.

The disposal of public houses through privatization is expected to lead to improvement in quality of life for tenants, through provision of security of tenure, better access to services and infrastructure and asset creation. Ownership is expected to provide security of tenure

to tenants and provide them with an incentive to invest on their housing units. Increasing home ownership is thus expected to create better management of housing stocks which eventually leads to better quality housing. Increased home ownership is at the same time expected to relieve the state of its financial burden of providing low rent housing subsidy and direct its resources to provision of services and infrastructure. Increased home ownership is also expected to provide households with an asset, their house, which will play a significant role in strengthening their livelihood and ability to withstand crisis situations. All the above factors then converge to create better quality of life for individual households.

From the market dimension, disposal of public houses is expected to reduce dependency on the state for housing, improve saving and eventually raise affordability and effective demand for housing. Disposal of public houses is also expected to minimize the role the state plays in housing provision, leaving room for the market and other actors to play increasing role in supply of housing and meet the rising effective demand. The privatization of public houses is also expected to lead to housing occupation responsive to income, which will encourage mobility of households in accordance with variations in income, household size and need. Mobility and housing consumption responsive to income will then lead to efficient allocation of housing stocks, reducing economic wastage as the best houses located in prime urban areas are owned by those who can pay more.

The above market aspect of privatization of public houses will also lead to urban renewal. The efficient allocation of housing stocks and urban land will lead to urban renewal as

higher value urban functions are introduced into the prime urban land. Renovation of the housing stocks, effective use of urban land will lead to renovation of neighborhoods, which were previously receding into decay, because of the public owned, neglected housing stocks.

However, the actual outcomes of disposal of public houses and privatization in the countries described above were not quite in line with the theoretical expectations.

Disposal of public housing stocks and privatization has meant increasing rate of home ownership in former socialist and communist countries of Eastern Europe and Asia. Home ownership has been raised in countries like Bulgaria, Estonia, Hungary, Romania and Slovenia, 'till it accounted for 80% of their housing stocks, by far exceeding home ownership rates in Western Europe (Faure and Sloviev, 2002).

However, while home ownership increased, availability of housing options for the low income groups has been greatly reduced. As privatization of public housing stocks took place, social housing and the availability of affordable housing overall also declined. Access to shelter for the low income and vulnerable group, such as pensioners and the elderly declined. Often even with financial housing subsidies given, affordability was low for low income groups to be housed in market price rental houses (Waldegrave, 2000; and Kwok-yu, 1997).

Housing supply increased overall as the state withdraw from its role in provision of housing, in most former unitary model housing systems, or as the state began to produce

market price housing stocks, as in, Shenzhen, China (Faure and Sloviev, 2002; and Kwok-yu, 1997). However, effective demand of the majority and especially those housed in public rent did not increase. The construction industries orientation was geared to those with higher income, while no attempt is made to curb the shelter problems of the low income group. Thus access to housing has been reduced both qualitatively and quantitatively to the low income group, the poor and vulnerable (Faure and Sloviev, 2002).

Lack of security of tenure never seemed to be the problem of public housing, but rather something created out of the privatization process (Hong Hanh, 2000; Waldegrave, 2000; and Faure and Sloviev, 2002). Insecurity in housing tenure increased after privatization, because of low affordability and inability to cope with the market provision of housing prices. And prevailing tenure insecurity, in light of low affordability, can not lead to better housing condition, but overcrowding and reduced housing quality (Waldegrave, 2000).

While tenure insecurity is spreading widely both in public and private rental houses, dependence on the state could not be removed completely. In some countries like Russia, even after disposal of public houses took place the administration of communal space, such as shared facilities in shared apartment blocks fell on the municipal authorities. Subsidies in service infrastructures of previous public houses also continued, since affordability of the dwellers is very low. The fear of government cutting back these subsidies creates insecurity among current occupiers especially the vulnerable groups of pensioners and the elderly (Faure and Sloviev, 2002).

Also the financial and legal infrastructures which are required for the development of an efficient housing market were not available in most of the countries where the public housing disposal took place. This has been an obstacle to the success of the privatization scheme itself, since lack of affordability or low effective demand was the major reason behind most problems of privatization (Hong Hanh, 2000; Kwok-yu, 1997; Foldi, 2000; and Faure and Sloviev, 2002). The mortgage market that helped for an owner occupied housing market to operate efficiently was not well developed in the transitional countries, because the banking system was controlled by state banks with less competition for a long time. Also those who can benefit from the mortgage system were only a very restricted portion of the total population, in Eastern Europe, 10-20%, owing to low affordability and low saving trends (Faure and Sloviev, 2002).

The increase in private ownership did not necessarily result in better housing quality and better managements, especially where the houses need renovation and strong maintenance. Here again low affordability of tenants is the hindering factor. Tenants buy the public houses fearing rent increase, but they will not be able to pay for up keeping and renovation cost. Hence, the huge problems of public housing years of neglect that resulted in deterioration did not change by mere transfer of tenure.

In some countries, such as the Czech Republic, Prague, urban renovation occurred as housing stocks in city centers and prime business areas were privatized. Especially in places where restitution took place, business flourished at the center, when former owners rented it out for business. Elsewhere, like in Budapest, Hungary, where tenants purchased

the public houses at low cost, fearing the consequent raise in rental prices, they were not also able to shoulder the maintenance and renovation burden of the public houses. There, privatization did not result in renovation of public housing stocks and renewal of neighborhoods which were deteriorating into slums (Foldi, 2002).

Here one may draw up on the trade offs that need to be made between disposal or privatization of public houses to enable tenants retain their dwelling units at affordable price, keeping intact their social networks, avoiding social disruption; and the needs of neighborhood renovation and urban renewal.

Where public house disposal or privatization was carried out in a way it is affordable to tenants, like in Zambia, tenants have gained access to a most vital asset. But this was made possible due to low and almost give away prices that made the public houses affordable. The result was, however, government could not raise enough revenue for service and infrastructure provision. Insecurity and social disruption was avoided because privatization was voluntary and carried out at minimum social cost as possible (Schlyter, 2000). Here again a trade off may exist between minimizing hardships arising out of privatization, reducing social disruption and preventing the break down of social networks with raising revenue from disposal of public houses.

The issue of better targeting housing subsidies to the vulnerable groups through disposal of public houses seems to be the least realized objective of privatization. Mostly, when public houses were sold to sitting tenants or in kind housing subsidy is replaced by income increment housing subsidy, as in China, those who benefit are the already favored

groups, who have entitlement to public housing (Schlyter, 2000; Foldi, 2000; and Kwok-yu, 1997). Even when housing financial subsidies are extended to all vulnerable groups in place of low rent public housing, like in New Zealand, it did not raise affordability or income of households to a position that will enable them to get housing service from the market (Waldegrave, 2000).

Finally, summarizing the implications of other country's experiences cited here, for the public housing disposal in Ethiopia, the following points can be raised.

- There is a trade off between privatization at affordable price to sitting tenants to keep intact their lively-hood and minimizing the social cost of privatization with raising revenue from privatization and urban renewal or efficiently allocating houses and urban land to avoid economic wastage. The goals of public housing disposal, which includes both urban renewal and development of housing market along with improving the wellbeing of households supported by public housing, are part of this trade off that need to be balanced in the privatization scheme.
- Discarding poorly kept public housing stocks on the hands of tenants is no guarantee for renovation of houses and neighborhoods but is rather likely to result in continuation the low quality status of public houses.
- Lack of popular support for disposal of public houses is likely to have negative repercussions on the process of privatization.
- In the face of low affordability and absence of supportive financial infrastructures like affordable housing finance schemes, the mere removal of low rent housing subsidies will not increase effective demand for housing just by providing incentives for saving, especially where saving has been low or nonexistent for a

long time. Also to increase housing supply, supportive legal and financial infrastructures has to be there that make housing finance available and production of affordable houses and standards possible. Without those infrastructures being adequately supplied, the sudden removal of housing subsidies or low rent public houses will only compound existing housing problems in terms of increasing homelessness, crowding and low quality housing.

- Finally, even with the necessary financial and legal infrastructures supplied, there are certain groups of society whose housing needs are not catered for by the housing market. Experiences of the countries cited here shows that housing supply in the market is usually geared towards meeting the needs of those who have effective demand for housing, leaving out the majority of low income groups. The state intervention in housing is thus necessary to provide subsidies or housing service to those low income groups who are not able to secure the minimum standard housing without assistance.

## CHAPTER THREE

### 3. HOUSING SECTOR IN ETHIOPIA

Ethiopia, one of the least urbanized countries in sub Saharan Africa is also one of the fastest urbanizing countries currently. According to PADCO (1997) over the past 10 years, i.e., since the late 1980's, the urban population of Ethiopia has increased by 6.3% per year, accounting for 15% of the total population in the country, in 1994. And according to the Central Statistics Authority's projections the urban population of the country is likely to rise to 17.25% of the total population by the year 2010 (OPHCC, cited in Tadesse, 2000).

Addis Ababa the capital city is the fastest growing urban center of the country. According to PADCO (1997), the population of Addis Ababa was growing at the rate of 3.8% in 1994. In the year 2000, Addis Ababa holds 26% of the total urban population in the country (Tadesse, 2000).

However, the current population growth of the city due to high rate of rural –urban migration as well as natural growth is more than the available urban services can support. Housing is one of those services that are not adequately available to accommodate the increasing population in the city. This has been manifested by increasing incidence of crowding and homelessness in the city, in recent years (Tadesse, 2000).

#### 3.1. Policy Environment in the Housing Sector

Consecutive Ethiopian governments have intervened in urban shelter provision since the mid 1950's. However, during the imperial regime, in the pre 1974 Ethiopian revolution

period, government attempts at intervention in housing were only tentative and did not have profound marks on housing provision. The housing sector in the imperial regime is characterized by lack of clearly indicated housing policy where decisions on building codes were made and housing permits given depending on local need, ability and sometimes following vaguely defined regulations. The period was also characterized by lack of strong control and planning of housing development which allowed the construction of large numbers of houses with out building permits (Solomon,1997).

The 1960's saw government commitment on paper and development of housing directives in the 2<sup>nd</sup> and 3<sup>rd</sup> five year economic plans of the imperial government, which envisaged large scale government sponsored low and middle income housing development in Addis Ababa. However, following the plans little was actually implemented on the ground. Among the reasons for inability to undertake the project on the ground was the land tenure system in the city. Most of the land in Addis Ababa was in the hands of land lords and the municipal government was unable to implement the public housing programs, lacking legal backing to implement its plans (Solomon,1997).

Formal sector housing production was also low during the imperial period, constrained by lack of affordability of poor urban households, unable even to buy or rent houses built with minimum standard, lack of housing finance to lower income households and the land tenure system. The existing housing finance institutions at the time were the Commercial Bank of Ethiopia, Saving and Mortgage Corporation of Ethiopia and Imperial Saving and Home Ownership Public Association (ISSHOPA). The Banks required large down payments and provided only short term loans. Thus they were not

able to reach to lower and middle income groups. The land tenure system was also a constraining factor because 95% of the city land was in the hands of 5% of the population. Thus in light of low formal housing production, the increasing urban shelter demand was met by informal housing production or houses built without permit, mostly by the land lords themselves, who rented them out. Subdivision of existing lots and residential houses were also increasingly taking place to maximize affordable rental housing (Solomon, 1997).

Government intervention in housing has profound marks after the 1974 revolution and the coming to power of the socialist government. The socialist government's policy in housing has been one of active intervention. The government has intervened through active provision of the housing service, producing, controlling and managing huge amount of public housing stocks and through different forms of housing subsidies. After the nationalization of all extra houses by proclamation No. 47/1975, the government introduced drastic rent price control and reduction measures in the sector. The government further tightened its control on the housing sector by restricting the purchase, sale as well as lease of houses only to the government and eliminating the formal housing market (Tadesse, 2000). It stipulated that residential housing will be built only by state enterprises, municipal governments, housing cooperatives and individuals building their own homes (Solomon, ). While the move undermined profit from housing investment for the private commercial sector and pushed it out of the housing suppliers market, it led to the state assuming the role of major provider of housing service in urban centers (Zelege, 1998). However, later on, in 1986 the government issued proclamation No. 92/1986 which removed the restrictions, and allowed the right of individuals to lease and

sell their houses. Consequently, the proportion of privately rented houses increased and private rental housing become one of the major rental house suppliers (Tadesse, 2000).

Some of the housing subsidies provided by the socialist government include, financial subsidy for those who build their own houses through low interest loans from the Housing and Saving Bank, sale of building materials produced by public companies through government outlets at below market prices and provision of free technical service to house builders by the ministry of works and urban development (PADCO, 1997; and Zelleke, 1998). Households who were not able to build minimum standard houses on their own were helped to form aided self help cooperatives, where they get financial and technical assistance from the government (Tadesse, 2000). The state was also administering huge stocks of low rent public houses, legacies of nationalized extra houses as well as newly built public houses and providing housing service.

However, although the policy focus in the housing sector was on effective distribution and sharing at the expense of profit making in housing, and it was aimed at increasing housing access to the majority of the urban population, the system of housing subsidy followed is criticized for its lack of sustainability. Even though, substantial amount of resource was being pumped into the housing sector, it was not recovered and used to generate more money for housing on sustainable bases (Esayas, 2000).

Since the coming to power of the present EPRDF government in 1991, the housing sector policy in Ethiopia has experienced a major turn around. Since, 1991, the government is working to transform the country's economic system from the command system to a

market system in all sectors. The responsibility of providing goods and services is being shifted away from the state to the private sector, and the same applies in the housing sector. According to this macro policy framework, the private sector is expected to be the primary vehicle for satisfying housing demand requirements. Goals of equity and efficiency in production and distribution of housing resources is to be achieved through an enabling strategy in which the government facilitates the activities of private housing producers (PADCO, 1997).

The shift in housing policy is crystallized in the economic policy issued by the transitional government in November 1991. Article 8 of the policy, which deals with land and housing, lay down provisions that follow a less state and more market approach in housing, development of property ownership in housing and pulling together all available resources for housing development. The policy specified the public ownership of land and promised its equitable distribution making it accessible for construction of housing by creating conducive conditions. And in order to develop property right, ownership right of housing that includes a right to use, rent and transfer a house is assured. The policy also encouraged pulling of resources from cooperatives, the private sector and all other actors for housing construction and development of the sector. Finally, the policy also stipulated the sale of nationalized houses in order to vitalize the housing market by giving priority to sitting tenants and paying compensation to previous owners when appropriate (Tamirat, 1998; and Tadesse, 2000).

The EPRDF government has also removed all housing subsidies such as, low interest rate loans as well as technical assistance that used to be provided to cooperatives and individual home builders.

While encouraging more involvement of the private sector and pulling of resources from different actors for housing, however, the state is not going to completely withdraw from housing provision. Sub article 8.1.3. of the economic policy states that the state will still be involved in housing provision through provision of low cost houses constructed by government agencies, both for sell and rent (Tadesse, 2000). Although, the policy opted for less state more market role in housing, the public sector doesn't seem to be completely ruled out as the state is going to have an active role in provision of low cost housing (Zewde and Zeleke, 1998).

### 3.2. Current problems in the Housing Sector in Addis Ababa

The general picture of the housing sector in Ethiopia shows a growing need for housing, especially in the major urban centers, which is often unparalleled by existing housing supply. This growing housing need is no where more evident than in the capital city where, due to rural urban migration and natural growth, the population is growing at the rate of 3.8% annually. Housing supply on the other hand is very much lagging behind, widening the supply and demand gap, a backlog that has been accumulating for a long time (PADCO, 1997).

Housing need here is defined as a number of dwelling units regarded as socially desirable, in terms of structural quality, rate of occupancy, sanitary and other facilities

according to a certain standard (Tadesse, 2000). Housing need thus, takes into account the required number of housing units in terms of new construction and in terms of replacing houses that are crowded lacking facility and structural quality etc. But it does not refer to effective demand for housing or desire for housing backed by the economic ability to satisfy it.

Different studies conducted on the housing sector, have come up with different figures that show the extent of housing deficit in Addis Ababa by taking into account similar components that measure housing need, as defined above. Esayas (2000), using a housing survey of 1996, and taking into account components such as housing required for newly formed households, replacement of previous dilapidated ones, housing required to relieve overcrowding and houses for the homeless estimates that there was a deficit of 119,113 units in Addis Ababa, in the year 2000. Tadesse (2000) also taking components of new household formation, houses required for easing over crowding; houses required for replacing dilapidated ones and improvised units, estimates that there was a deficit of 180,018 housing units in 1999. According to him, this deficit amounted to 46.7% of the then existing housing stocks in the city. Another study by PADCO (1997) puts the housing deficit of the city at 36% of existing housing stocks. In short, all the studies agree there is acute shortage of housing supply in the city. And the supply and demand gap in housing widens every year, resulting in increased incidence of overcrowding, homelessness and proliferation of squatter settlements (Tadesse, 2000).

Many studies conducted in the housing sector have explained the current housing shortage in major urban centers, attributing the cause to the legal and financial

infrastructures around the housing sector that constrained supply and reduced effective demand for housing. Government policies that govern the land tenure system, building standards and regulations, policies on housing finance and subsidies are some of those legal and financial infrastructures that constrain supply and discourage demand. In addition, general level of affordability shaped by income and consumption behavior of households that reduce effective demand are also factors that contribute to housing shortage in the city. The high rate of rural urban migration has also been cited as one of the root causes for housing shortage in the capital city Addis Ababa.

### **3.2.1. The System of Land Tenure**

The basic legislation that governs the system of land tenure currently is proclamation No. 80/1993, which specified that land will continue to be public property and any person by signing a lease agreement with the city administration will acquire possession of a plot for a period between 50-99 years (Tamirat, 1998). The urban land lease regulation of Addis Ababa city administration under regulation No. 3/ 1994 specified urban land that will be under lease. Accordingly, the aim of urban land lease policy is to encourage investment on construction sector and alleviate housing problem in Addis Ababa, as well as generate revenue for infrastructure building, low cost house building and other services (Tadesse, 2000).

In Addis Ababa, land is available for residential construction through lease and lottery system. Under lease system, by proclamation No. 3/1994, plots above 175 meter square are allocated by auction and price is determined by market. Plots between 73 and 175

meter square are leased by a lottery system at annual payment of 0.5 birr per meter square. And small plots, less than 73 meter square are leased with out charge (Birke, 1998)

However, the provision of land after the proclamation become a slow process and the low number of plots delivered annually curtailed residential housing construction very much. The rate of production of plots for construction is so low that from the beginning of the lottery system in 1995 up to 1999, the total number of plots produced accounted only for 13.5% of total housing need in the city (Tadesse, 2000). PADCO (1997) housing study, on the other hand estimates production of serviced plots in Addis Ababa for housing construction between 1994 and 1997 as satisfying only 5% of annual housing needs. Thus the slow system of land delivery has led to increasing squatter settlements and informal transaction of land (Tadesse, 2000).

As promoting construction of houses for the low income group is also one of the aims of the land lease policy, according to the proclamation, the lease rate for construction of low cost houses is also reduced. The Addis Ababa administration land lease regulation, mentioned above, allows for reduction of lease payment for those who build rental houses rented up to birr, 800, in order to significantly reduce the lease cost for construction of low price rental houses. However, even with the reduced lease payment the city failed to attract real estate developers into construction of low rent houses. For a rental house construction land is leased for 60 years, and to make a profit a developer must be able to recover all costs of lease payment, construction cost and various taxes and at the same time bring in more income than what the investment may have obtained in the form of

interest deposited in Bank. Taking this into account even with the reduced lease price for low income rental houses the collective costs of investment and construction are higher than what will be earned through rent during the lease period and this discourages investment on low rental houses, and diverts investment to high income rental houses (Tadesse, 2000).

Consequently, the combination of low production of plots and unaffordable building standard meant a residential land delivery system that can not satisfy demand and hamper housing development. And, as briefly shown above, the residential land delivery system addresses the least, the housing needs of low income groups.

### **3.2.2 Scarcity of Housing Finance**

The reduction in the availability of housing finance and its in-accessibility especially by the low income group is another factor that contributes to increasing housing supply and demand gap and overall housing shortage. The low availability of housing finance is currently attributed to the removal of housing finance subsidies, the underdeveloped mortgage system and diversion of housing loans to the commercial sector, by different studies conducted in the sector (Esayas, 2000), (PADCO, 1997) and (Tadesse,2000).

The housing finance sector in the country is dominated by the Commercial Business Bank (CBB), which is the only institution that provides mortgage loans (PADCO, 1997). The original objective of the Commercial Business Bank, which was previously known as the Housing and Saving Bank (HSB), was to provide loans exclusively for housing

development. During the previous regime, 20% of households in Addis Ababa have built their house by borrowing from the Housing and Saving Bank. The bank used to lend at subsidized interest rate of borrowing, 7% for individual homebuilders and 4.5% for cooperatives. After the EPRDF came to power, in 1990 however, all subsidies are removed from the housing finance sector, because the government has left the full responsibility of providing housing finance to the market. The bank started lending at real interest rate of 10.5%. The high interest rate of borrowing is a dis-incentive for potential house builders. It reduces affordability by totally cutting out the low and middle income people from housing construction. In fact, loans under such interest rate, even to build the minimum standard housing in Addis Ababa can be accessed only by 4% of the city population whose monthly income is 2,160 birr and above (Tadesse, 2000).

In addition to removal of subsidies, commercial loans are diverting away the CBB's finance from housing. Following the 1994's banking sector reform, the CBB has changed to an all purpose retail Bank. And now housing investments have to compete with other type of investments in the Bank's business. As a result, the CBB's lending began to be geared to the commercial development sector, because the commercial real estate lending has less opportunity cost than mortgage lending. Accordingly, since 1990, loans for residential house construction are declining overall in the CBB and business and commercial construction lending is increasing (Tadesse, 2000). While the change makes the Bank financially sustainable, it reduces funding available for mortgage lending substantially (PADCO, 1997).

Other forms of housing finance available are saving and credit cooperatives. This member owned and managed credit unions receive deposits, pay interest and loan at interest to members. Apart from those, private Banks, such as, Awash Bank and Dashen Bank have also opened doors to mortgage lending, but express fears of the risks associated with long term lending at high interest rate (Tadesse, 2000).

### **3.2.3 .Low Affordability**

Low affordability is also another factor contributing to housing shortage or lack of access to housing by the major group of households in the city. Housing affordability is low, overall, because of low household income, unresponsive supply and housing regulations that constrain supply such as; high housing standards, the rising cost of construction materials and low availability of housing finance (PADCO, 1997; and Tadesse, 2000).

#### **I. Income**

If demand for housing is split between housing need and effective demand, i.e., a function of capacity to build or rent a house in terms of affordability, one finds that while housing need in the city is very high, effective demand is low (PADCO, 1997). This low effective demand for housing can be explained by low income of households, unsustainable source of income, and large proportion of income consumed by basic needs other than housing and low rate of saving.

The majority of households in Addis Ababa and other urban centers of Ethiopia earn low incomes. According to the 1995/96, household income consumption and expenditure

survey, 23.1% of the urban population in Ethiopia earn monthly income below 170 birr, while few, 13.5%, earn monthly income above 1,000 birr/month. On average 60.9% of the urban population earn income less than 450 birr/ month (Household, Income, Consumption and Expenditure Survey, 1996). The housing sector study conducted by PADCO (1997) also revealed that the median monthly income of households in Addis Ababa is 391 birr per month, while median monthly expenditure is 382 birr per month.

While the majority of urban residents are thus low income earners, expenditure on basic needs, such as food and water consumes most of the household income (PADCO, 1997). The 1995/96 survey showed that on average the highest proportion, 40.9% of urban households income goes to food consumption; and expenses like rent, energy and water formed, 17%, the next highest proportion of household expenditure, where energy alone consumes 11% of income. Spending the largest proportion of household income on basic necessities such as food increases among the low income group. According to the 1995/96 household survey, households whose income is below 600 birr per month, spend more than 53.4% of their income on food. And the proportion of Household income spent on food consistently increases with the reduction of households income. In short, the proportion of households' income, left to spend on housing needs is generally low and decreases even more as the household income reduces (Income, Consumption and Expenditure Survey, 1996).

Apart from low level of income, non-sustainable sources of income is also another factor that contributes to reduced effective demand for housing. The source of income of most urban households is non sustainable, based on informal activities that reduces legibility

for credit (PADCO, 1997). The 1995/96 housing survey shows that 31.5% of households' source of income in urban centers is wage and salary, while 39.5% earn their income from different non-agricultural activities and 12.4% from remittance and transfer payments (Tadesse, 2000).

Low rate of saving is another factor that contributes to lack of effective demand for housing. The 1995/96, household income, consumption and expenditure survey shows that the rate of saving is very low in urban centers, and overall in the country. 20.7% of urban households spend all their earning and only 11.4% spend less than what they earn, while on the other hand 67.9% of households spend more than what they earn. The survey findings overall show that in Ethiopia 6.6% of earning is saved, while the saving rate slightly increases for the urban population, which saves on average 9.5% of total earning. However, the saving group is only a small proportion of the urban population (Household, Income, Consumption and Expenditure Survey, 1996).

## **II. High and Unaffordable Building Standard**

The overall housing policy environment has contributed to low affordability of housing and thus to housing shortage in the city by laying down unaffordable, high standard housing regulations (Essayas, 2000).

Housing standard is defined as “the minimum level of building that one should build in a particular city in a way that it does not affect the predetermined city plan and control the flourishing of low quality houses”. Thus, housing standard differs from one city to

another based on affordability, culture, geographic location and associated need etc. (Tadesse, 2000).

The authority to determine housing standards in Ethiopia is given to regions in the urban land policy by proclamation No. 80/1993. Accordingly, Addis Ababa city has its own minimum and maximum specified housing standards. However, the standards are so high that even the minimum standard housing construction is unaffordable by low and middle even high income groups save for some 4% of the city population (Tadesse, 2000).

To construct the minimum standard residential house, with the required 10% deposit to acquire a plot, obtaining the rest from loan, at 10.5% interest rate, to be paid monthly for some 20 years, i.e., 540 birr per month, a household requires a monthly income of birr 2,160, provided that 25% of income is spent on housing monthly. This means, according to the 1995/96 household income survey, only 4% of the city's residents can afford it (Essays, 2000; and Tadesse, 2000).

### **III. Rising Cost of Construction**

The high cost of construction, currently witnessed in the housing sector is due to unavailability and rising cost of building materials, low supply and production of building materials domestically and monopoly of the sector by few industries (Tadesse, 2000). The building materials provision sector is currently characterized by a state monopoly, where the state is active in material retailing and sells at market price, and low production of public companies. Small scale private producers and suppliers have entered the market since 1991. However, the sector is still dominated by the state and with removed

subsidies; it continues to maintain increasing prices and contributing its share to reduction of housing affordability.

#### **3.2.4. Rural Urban Migration**

The rapid rate of migration from rural areas to urban centers, especially the capital city Addis Ababa is one of the root causes for the prevailing housing shortage in the city. The 1994 population and housing census has shown that 46.7% of the total urban population of Addis Ababa are migrants from rural as well as urban centers of the country. The rate of migration is seen as a response to the contrasting difference in development between the capital city and other urban centers and rural areas of the country. Perceived better job opportunities and better access to social and economic services serve as pull factors for migrants to flow into the capital city, while decline of income and population growth in rural areas serve as a push factor, compounding the problem of housing shortage in the city (Tadesse, 2000).

Having briefly outlined overall housing sector problems in Ethiopia, the study now focuses on problems of public housing, specifically houses under administration of Kebeles, *the lowest urban center administrative units*.

### **3.3. Kebele Housing Stocks**

Low rent public housing stocks in Ethiopia represent the major form of state intervention in provision of housing service. Houses under the administration of urban dwellers association or Kebele's form the major proportion of those low rent public houses.

Kebele rental houses came into being with the 1975 extra house proclamation when supplementary houses which have been rented by a private or public association, to a tenant, were nationalized (NUPI, 1988). From the nationalized houses those which were rented for less than 100 birr per month were taken over by the Kebele's who became responsible for their administration; collecting rent, maintaining the houses and paying compensation to former owners (Esayas, 2000).

Kebele houses cover a sizeable proportion of housing stocks in major urban centers of the country. In Addis Ababa, according to a 1984 population and housing census 60.3% of the housing stocks were public rental houses, where 54.1% were under Kebele administration while 6.2% were under the Agency for Administration of Rental Houses (AARH) (NUPI, 1988; and MUDH, 1980EC). In the 1994 housing and population census, the proportion of Kebele housing stocks in Addis Ababa was reduced to 37.9% of the total number of houses in the city, reflecting the 1986 proclamation that removed restriction on lease and sale of public houses. The proclamation relatively minimized the share of public houses and Kebele houses in the total city housing stock (Tadesse, 2000). The current study findings, based on statistical information obtained from Addis Ababa city administration in 2002 shows Kebele residential rental houses form 44.4% of total residential housing stocks in Addis Ababa. Overall, Kebele rental houses constitute a significant part of the total housing stock in Addis Ababa.

Kebele houses, as they do cover the largest proportion of housing stocks in the city, they also account for the majority of houses in poor, dilapidated and run down state. Different surveys and studies undertaken since the early 1980's find most Kebele houses in a

critical state of disrepair and badly in need of maintenance (NUPI, 1988; PADCO, 1997; and MUDH, 1980EC). Both population and housing census of 1984 and 1994 indicated that the majority of Kebele houses are in dilapidated condition (Esayas, 2000). The 1984 census found only 18.3% of Kebele houses in good condition. The rest 81.7% needed heavy structural repairs. The census has pronounced 6.03% of Kebele houses as unable to be renovated and fit only for demolition. Also 23.9% needed heavy structural maintenance and some 51.3% needed lower degree maintenance (MUDH, 1980EC). A study conducted by NUPI (1988), on the other hand found 32% of Kebele housing stocks in the city in poor condition, whose maintenance cost will exceed 80% of the cost of rebuilding the houses, if they are to be reconstructed. It also found 51% of the Kebele houses to be in fair condition but requiring structural rehabilitation. And only 17% of the houses were in good and very good condition. The study has also estimated that without any maintenance after 5 years the number of houses in poor condition will reach 45% of the Kebele housing stocks (NUPI, 1988).

The Kebeles, responsible for administering and maintaining the houses are able to meet only 2% of the maintenance requirements every year, and thus the number of Kebele houses neglected and getting beyond repair increases every year. According to NUPI's estimations in 1988, the huge backlog of maintenance requirements will cause insurmountable costs that it can not be tackled with the Kebele's own resources without external support. The maintenance backlog will be difficult to clear, without external assistance, even if all the low rent subsidies are removed and houses are rented at market price to boost the revenue, (NUPI, 1988).

The majority of Kebele houses are also over crowded with poor service delivery that is exacerbated by the crowding. The NUPI study (1988) revealed that there were on average 6 people per housing unit, while 84% of houses have only one or two rooms, 33% being one room and 51% two room housing units. Density of occupation on average is 5 meter square per person and 4 persons per room (Esayas, 2000) Service delivery on the other hand is marginal, with low drainage, low accessibility and low sanitation system. Majority of service facilities such as water taps, electricity, latrines and kitchens are available for the largest proportion of the households. But the services are extensively shared by households with in the compound (there can be from 7-10 households in one compound) and outside it. This extensive sharing of service facilities is likely to worsen with the current 3.8% population growth of the city coupled with annual construction of houses that is able to meet only 10% of housing needs. NUPI study (1988) predicted that if the current tenures system of Kebele houses remains the way it is, overcrowding in Kebele housing is likely to increase as they are the cheapest available form of accommodation and access to housing overall is difficult. This will mean increase in family size, as new families begin to live together with their parents or informally build with in the Kebele house compound, sharing already over used facilities. This will worsen sanitation. Hardship in every day life will also increase, with increasing incidence of fighting for space and access to latrines; water taps etc, ultimately aggravating social dissatisfaction (NUPI, 1988).

### 3.3.1. Problems in the Administration of Kebele Houses

Different studies undertaken on Kebele houses have attributed the poor housing quality to factors such as low rent revenue and its administration, poor construction materials and to problems inherent in the tenure system of public houses.

Kebeles were expected to administer the public houses under them, by collecting rent, and using the revenue from rent to meet costs of maintenance of the houses, recurrent administration costs and compensation payment to former owners as well as construction of new low rental houses. However, the revenue earned from rent is small, unable to cover all the expenditures required. NUPI (1988) has estimated that around 36 million birr per year is required for maintenance and up keeping of Kebele houses; 12 million birr per year for compensation payment to former owners while revenue that can be collected from rent annually can not exceed 20 million birr.

The rent price of the houses has been drastically reduced at the time of nationalization, in 1975, and for residential *Kebele* houses it has remained frozen ever since. After nationalization price of all rental houses rented above 300 birr per month was reduced by a percentage that increases with the decline of rent. All rents below 25 birr were also reduced by half (NUPI, 1988). As a result, almost 63% of Kebele houses are rented below 10 birr per month and 95% are rented below 50 birr per month (MUDH, 1980EC).

Apart from the prevalence of low rent, huge amount of rent arrears prevailed that substantially reduced the revenue from rent. According to Ministry of Urban Development and Housing (1980EC) 18 million birr annually is due to be collected from

Kebele rental houses. However, due to rental arrears the full amount is not usually recovered. In 1988 there was an accumulated arrear in the amount of 14,650,980 birr. And 77.6% of this rent arrear is accounted to houses whose monthly rent is below 30 birr.

The system of revenue administration from rent, with its focus on compensation and new constructions is another reason behind the neglect of maintenance and up keep of Kebele houses. The compensation payment to former owners alone takes up to 70% of the rental revenue, while 17% goes to regular recurrent expenditure of the Kebeles. Only 13% of rental revenue is used for maintenance of the units (NUPI, 1988).

In addition to low revenue from rent and the system of revenue administration, non durable construction materials are another reason behind the poor housing quality of Kebele houses. Out of the total Kebele houses 95% are made of Chika. Two third of the Chika houses lack proper foundation and have a structure easily flooded during the rainy season. The durability of these houses is on average around 30 years (PADCO, 1997; and NUPI, 1988).

Finally, previous studies on Kebele houses have also attributed the poor quality of Kebele houses to problems inherent in the tenure system and the public administration of the houses. The nationalization of the houses and consequent transfer of their administration to Kebeles was carried out without first developing the capacity to administer such huge stock of public houses by the Kebeles. This is reflected by the accumulation of rent arrears and general deterioration of housing stocks.

The accumulation of rent arrears is explained by NUPI (1988) as caused by unmotivated rent collectors, failure to punish non payment on the part of the Kebeles, and absence of a system that controls the rent collection by the Kebeles. According to Kebele-Tenant agreement signed by the two parties, failure to pay rent for three consecutive months is sanctioned by payment of fine and in extreme cases, eviction. However, this is rarely enforced.

The problem of arrears aggravated when in 1983 the budget of the Kebeles was centralized and revenue from rent of Kebele houses, which was previously used for maintenance and new construction within the Kebeles was channeled to the city council. The city council in turn allocates 10% of rents expected to be collected by the Kebeles as their budget, for maintenance purpose, without any means of checking whether the full rent has been collected. Therefore, lack of motivation and centralized revenue administration has led to poor public administration of the Kebele houses (NUPI, 1988).

According to previous studies, poor condition of the Kebele housing stocks is also the result of existing tenure arrangement. Rental housing unlike owner occupation constitutes a dis-incentive to maintain or invest in the housing stock. Apparently, because renting households will not benefit financially from investing in the units they live in, they choose not to make improvements on the house, even when they are required (PADCO, 1997). The public tenure of Kebele houses do not give an incentive for tenants to care for the house like they would for their own property (MUDH, 1980EC).

### **3.3.2. Privatization towards Solving the Problem of Kebele**

#### **Housing Stocks**

All the major studies conducted on Kebele houses, since the late 1980's propose privatization of the Kebele housing stocks as a solution towards the problems identified above (NUPI, 1988; and PADCO, 1997). The previous socialist government of the country has also been entertaining the idea of privatizing Kebele houses in the late 1980's as a report of the Ministry of Housing and Urban Development (1980EC) indicates. The economic policy of the present EPRDF government also indicates the government's intention in disposing of low rental public houses, in line with its transitional economic policy, although it has not made it clear whether all low rental public houses including all Kebele housing stocks will be privatized. The economic policy points out also the government's intention of keeping low rental houses that will be produced by government agencies. Therefore, it is vague whether all public houses and Kebele housing stocks are intended to be privatized (Tadese, 2000). Nevertheless, currently privatization of Kebele houses, transferring of the housing stocks to the private hand, by giving priority to sitting tenants, is widely held as a preferred trend of action.

Improvement in the condition of existing housing stocks and revenue generation from the privatization of the houses that can be directed towards the housing sector are the major expected outcomes of the disposal of the Kebele houses, according to the studies that propose privatization of the houses.

Improvement in the housing condition will occur because; privatization transfers the housing stocks to a better management than the public hand. There is a strong association

between poor housing condition and public management of houses for reasons described above (PADCO, 1997). On the other hand, owner occupied houses are less deteriorated and relatively in better condition than Kebele owned houses (Girmay, 1998) and (NUPI, 1988). This is attributed to the fact that owner occupation gives security of tenure that is not constituted in the public system of tenure. Tamirat (1998) puts the full impact of security of tenure on housing as follows.

“The knowledge that a person can not be evicted from certain holding and the knowledge that he/she can pass the property to her/his descendants or develop and dispose of it in a manner beneficial to the person will motivate that person to invest on his/her property and care for it better.”

Therefore, privatization of Kebele houses will increase incidence of home ownership and encourage investment and better management of housing stocks.

In addition to tenure security motivated investment that will be acquired by privatization, transferring of maintenance responsibility to tenants, as owners, can actually reduce the cost of maintenance and up keeping of the houses. Dwellers can maintain the houses on lower cost than if it has been carried out by the Kebeles because, they will use their own labor and locally available materials. In addition, when tenants become owners and their security of tenure is realized, they will devote time and resources on neighborhood development activities (MUDH, 1980EC).

Privatization of the Kebele houses is also expected to contribute to an overall housing sector improvement, through generation of revenue, from sell of the houses, land lease,

and housing taxes that will cover cost of developing basic housing related infrastructures, upgrading and housing subsidies targeted to the lowest income group (PADCO, 1997).

The studies that have supported privatization of Kebele houses have insisted on the need to give current tenants priority in the sale of the houses. And one of the difficult issues, the proponents of privatization grapple with is the ability of current tenants to buy the house and the need to protect current tenants in order to minimize social crisis of displacement and homelessness that privatization may bring. Most of the studies agree that the method of privatization should be one that tries to make the houses affordable to sitting tenants as much as possible (Tamirat, 1998). Some propose sell of the house to current tenants, through long term payment, where the tenants continue to pay current rental price, until the full value of the house is recovered, with very low interest or no interest at all, taking a long period of time. The NUPI study on Kebele houses (1988), propose a flexible form of privatization where households receive loans at low interest rates, depending on their income to pay for the house with in a period of 7 to 20 years. The privatization proposal by the Ministry of Housing and Urban Development (1980EC) recommended a long-term payment that can extend to 15 years and more to purchase houses rented below 50 birr. And for houses rented above 50 birr, around 15 years time period is given for households to completely pay the full price of the house. The PADCO study (1997) also propose long-term payment, where tenants' monthly payment to purchase the house does not exceed 20% of their monthly income.

However, such long-term payments will not raise significant revenue from sale. Taking in to account accumulation of arrears due from tenants and low affordability, it is difficult to

expect a revenue boost from privatization to sitting tenants. In addition, the PADCO study (1997) indicates that the value of Kebele houses per unit is low on average, birr 5,473, for chika houses, with out taking into consideration their depreciating value. According to PADCO (1997) the benefit form privatization of Kebele houses cannot be accrued to the revenue that will be generated from sell but to homeowner investment that will follow privatization. In short, the problem for all who propose selling seems to be reconciling raising revenue with selling at affordable price to current tenants to avoid the social cost. Facing the difficulty of reconciling both, most proposals focus on tenure security and housing improvement that will follow privatization.

The issue of compensation to previous owners is another concern the privatization proposals have to grapple with. It is also a point of contention and disagreement among the studies. According to NUPI (1988) compensation payments paid out monthly, since the time of nationalization, when compared with inflation rate is high and can cover the price of the houses at the time of nationalization. Therefore the houses have already been indemnified. Tamirat (1998), on the other hand, assumes compensation payment to former owners is inadequate because the system of payment has not allowed former owners to collect the payment all at once and invest it profitably. Yet, the compensation payments at the time were not aimed at indemnifying the houses, but rather at enabling former owners who don't have alternative source of income to overcome hardship (NUPI, 1988). However, Tamirat (1998) asserts his fear that over righting the rights of former owners or failing to compensate them adequately at the time of privatization may create problems of insecurity with extended impacts, such as discouraging further investment in the housing sector.

## CHAPTER FOUR

### 4.1. General Description of The Study Area and the Dwellers

The study area covers Kebeles in two woredas, i.e., Kebele 27 of Woreda 4 and Kebele 20 of Woreda 7, which have some of the highest concentration of residential Kebele houses, where Kebele housing stocks account for 74% and 78% of total residential housing stocks, respectively.<sup>1</sup> Kebele 27 of woreda 4 is located in central area of the city, in the vicinity of Abnet Hotel, encompassing the whole neighborhood called 'Abnet', adjoining the Mercato area. The Kebele is located in a predominantly business area where also a lot of informal trading activity takes place.

The area encompassed by the Kebele 27, i.e. 'Abnet', is selected as a key business upgrading area in the revised city master plan of Addis Ababa (ORAAMP, 2002). That means it is a local development area selected for physical and social infrastructure improvement with in the next five years, in the city master plan. The policy goals of the business area upgrading strategy include improving the working and living environment and economic activity of key areas. And the principal approaches of upgrading involve; formalization of informal traders, selective privatization of Kebele houses in the selected areas and a user initiated housing upgrading, expected to be triggered by newly gained security of tenure for tenants after privatization. The major upgrading cost, i.e., better delivery of physical and social infrastructure is expected to be shouldered by traders in the Key business areas and the local community (ORAAMP, 2002).

---

<sup>1</sup> The *Kebele* and *Woreda* names, which were used at the time of the survey collection, have now been changed and no more apply to the areas referred here. *Woreda*'s have been replaced by '*Kifle Ketema*' (an Amharique name for district). *Kebele* 20 of *Woreda* 7 now forms part of *Kebele* 16 under *Adis Ketema* district.

Kebele 20 of Woreda 7 is found in an intermediate location in the city between central Kebeles adjoining the Mercato area and peripheral Kebeles. It is located in the vicinity of 'Abebe Bekila Stadium', encompassing the whole neighborhood named 'Kuwas Meda'. The Kebele is currently encompassed in the housing settlement area selected for upgrading with in the Addis Ababa city master plan. Like in the Key Business Area, here also upgrading involves living the existing structure but improving the quality of housing through structural repairs and improving the delivery of physical as well as social services and infrastructures. Here also the policy goals of the upgrading strategy include improving the quality of life for the inhabitants and making the inner city a more livable area. The upgrading approaches mentioned in the master plan involves; selective privatization of Kebele houses, user initiated upgrading triggered by tenure security realized through privatization and relieving housing density in some areas, which means displacement and relocation of some of the dwellers to reduce crowding. The bulk of upgrading cost, i.e., infrastructure and service delivery is expected to be shouldered by the local community with possible NGO intervention (ORAAMP, 2002).

As it is mentioned in the introduction part both Kebeles are selected for their high concentration of Kebele houses. And the sample households selected are only residential Kebele houses; 100 from each Kebele, forming a total of 200 sample households and housing units.

The Kebele house dwellers in both study areas of Woreda 4 and 7 have similar occupation and employment patterns. Employment in formal private and government organization and engagement in informal own business or informal income generating activity forms the major type of occupation of household heads. Some of the informal

business and income generating activities that tenant households are occupied in include; petty trading, weavery and handicraft work, shoe making etc. Some 16.3% and 22% of the sample households in 'Abnet' and 'Kuwas meda' area, respectively, work from their homes using their residential house for informal commercial activity such as, selling 'Tella' and 'Iinjera' (selling food and beverage). There are also household heads that make a living out of casual work, ranging from daily labor up to domestic housework, fire wood collection and any work that is available. The proportion of household heads engaged in casual work is especially higher in 'Kuwas Meda' area. Being an intermediated Kebele access to jobs in 'Kuwas Meda' seems to be lesser than the Kebele located in the central area 'Abnet'. However, housing density or the concentration of residential houses provides opportunities for domestic work and similar activities for households who dwell in 'Kuwas Meda' area.

Very few number of households in both Kebeles also depend on formal own business and few households heads are pensioners. There are also similar numbers of large proportion of tenant households who are unemployed or where the heads are engaged in domestic non-income generating activity, such as some of the female headed households. Usually, in such circumstances one or more of the household members will be engaged in income generating activity and support the family. In few cases, the whole household also depends on Remittance.

**Table1. Distribution of Occupation among Tenant Household Heads.**

Type of Employment	Percentages from the total No. of households in 'Abnet'	Percentages from the total No. of households in 'Kuwasa Meda'
Unemployed	24.4%	22.2%
Wage Earner (Employee of government or private firm)	29.9%	20.5%
Informal Own Business	26.5%	26.2%
Casual Work	7.1%	17.1%
Formal Own Business	3%	5%
Pension	9.1%	9%
Total	100%	100%

The gender composition of House hold Heads in the sample shows that the number of female headed households is nearly as high as male headed households. Out of the total sample households, 43% are female-headed households, while the men headed households are 57%. In the study area of 'Abnet' 44% of households are female headed, while in 'Kuwasa Meda' area 42% are female headed households.

In income composition of tenant households, joint household income is slightly higher in 'Abnet', where, 5.5% of households earning is above 1,000 birr per month, while 24.7% earn between 400- 1,000 birr per month and 69.7% earn below 400 birr per month. 'Kuwasa Meda' with its 77.1% of households monthly earning being below 400 birr, 19.5% between 400-1000 birr per month and only 3.3% earning above 1,000 birr per month, is the poorer of the two study areas. Major source of income classification also shows less than half of the sample households in 'Kuwasa Meda' (around 42%) depend on

wage and other sustainable source of income. The rest depend on non-sustainable source of income such as, informal income generating activity, pension and remittance. In ‘Abnet’, on the other hand, a slightly above half percentage (around 53.2%) of tenant households depend on wage, salary and formal business as their major source of income, while the rest depend on informal income generating activity, remittance and pension. Thus as both the information of tenant households’ amount of joint income and source of income in the study sample conveys, the dwellers in Abnet enjoy slightly better economic status.

**Table 2. Distribution of Joint Income of Tenant Households Between the two Kebeles**

Income (birr/month)	Percentage of Households with in the Two Kebeles	
	‘Abnet’	‘Kuwas Meda’
>1,000	5.5%	3.3%
400-1,000	24.7%	19.5%
<400	69.8%	77.2%
Total	100	100

Similarly, the quality of the Kebele residential houses is slightly better in ‘Abnet’ area than in ‘Kuwas Meda’. In ‘Abnet’ tenants self assessment of their housing condition shows that around 29% of the houses are in good and very good condition, 47% in fair condition and 24% in poor conditions. On the other hand in ‘Kuwas Meda’, following assessment of tenants, 27% are found in good and very good condition, 33% in fair condition and 40% in poor condition. While, similar proportion of housing units can be found to be in good and very good condition in both study areas, the proportion of houses in poor condition is higher in ‘Kuwas Meda’.

**Table 3. Housing Condition Based on Self Assessment of Tenant Households between the Two Kebeles**

Housing Condition	Percentage of Households with in the two Kebeles	
	'Abnet'	'Kuwasa Meda'
Very good and Good	29%	27%
Fair	47%	33%
Poor	24%	40%
Total	100	100

In short, to conclude the similarities and differences between the study areas, there are many close similarities and some slight differences. There are close similarities in employment pattern of tenant households in both areas. Wage earning in formal private and government employment, and informal business and income generating activity are the major forms of engagement of tenant households. However, engagement in wage labor and formal employment appears to be high in 'Abnet' area while informal economic activity predominates in 'Kuwasa Meda' area. Although, conversion of residential house for commercial income generating activity is high in both areas, the proportion is slightly higher for 'Kuwasa Meda' area. In addition, tenants appear to be poorer and housing units more deteriorated in 'Kuwasa Meda' area than in 'Abnet', The slightly better of economic status of tenants in 'Abnet' appears to be reflecting the employment opportunities available in 'Abnet' area due to the central location it enjoys.

However, in spite of the differences observed in housing condition and tenant's economic situation between the two Kebeles of 'Kuwasa Meda' and 'Abnet', this study will not go any further in comparison of the two study areas and the implication the differences may

have on the analysis of the research findings. Despite, the differences mentioned, tenants in the two Kebeles share many similarities in livelihood strategy and economic activities etc. Both are also Kebeles adjoining the 'Mercato' area, where similar business and economic activities take place, although one of the kebeles enjoys a more central location than the other. In addition, the Kebeles are not situated in highly contrasting locations with in the city, where dwellers income and economic activity shows major difference, enabling assessment of impacts of contrasting location; such as central versus peripheral area. Therefore, it will not be appropriate to draw a comparison of the kind with the Kebeles selected in this study, since the mere criteria of selection is only the high concentration of residential Kebele houses with in the Kebeles. It will also be outside the scope of the purpose of this study to draw the comparisons described above. Hence, the analysis of the study from here onwards will treat the data taken from both Kebeles as drawn from similar study areas and descriptive figures presented shows percentages from the combined sample households in both Kebeles.

#### 4.2. The Condition of Kebele Rental Houses

Housing condition is described by referring to the construction materials and physical structure of the housing units, provision of services and physical infrastructure as well as housing density. A self-assessment method is also used where tenants themselves label and categorize their housing condition.

#### 4.2.1. Construction Materials and the Physical structure

Most of the Kebele houses, located in the study area are made of non-durable construction materials. The overwhelming majority, 96%, of the walls of the sample housing units is constructed from wood and mud (Chica). Around 41% of the sample units have beaten earth dirt floors, while the rest 59% have slightly better floor materials of cement or wood tiles. Almost all the roofs are constructed from corrugated iron sheet. However, most of them are old and leaking. About three-fourth of the housing units have ceilings made of poor quality materials, such as clothing fabrics (Abujedi Material) while about one-fourth do not have ceilings at all.

**Table. 4. Distribution of Construction Materials of Kebele Houses**

	CONSTRUCTION MATERIAL	PERCENTAGE FROM TOTAL SAMPLE HOUSES
Wall	Stone, brick and blocket	4.2%
	Wood and mud	95.8%
Floor	Cement, tiled cement and wood	59.1%
	Beaten earth	40.9%
Ceiling	Ceiling from cheap wood, hardboard and clothing fabric	72%
	No ceiling	28%

The construction materials make the houses, non-durable, with a low comfort level, especially in the rainy season, because of poor quality roof and floor. The houses also require maintenance from time to time due to the non-durable construction materials.

The prevalent structure of *Kebele* houses is attached housing, where houses share common walls. In the study area nearly 94% of all the houses are physically attached to one another, which makes housing improvement on individual housing units rather difficult. It creates a great deal of obstacles for individual housing upgrading, such as complete reconstruction. It is common to see 5 to 10 housing units (households) in one compound, the majority sharing common walls.

#### **4.2.2. Provision of Services and Infrastructure**

Previous studies have found out that the housing facilities in the *Kebele* rental houses, such as, water supply, power supply, cooking and storage areas, liquid and solid waste disposal systems are very poor and have rarely been improved to cope with the increasing density of housing occupation. The results of this survey also confirm the findings of previous studies, with regard to poor service facilities.

Table 5 below, shows the distribution of service facilities among *Kebele* houses in the study area. From the total *Kebele* houses selected in the study only 33.7% of the housing units have a water tap with in the compound, while the great majority (66.3%) obtain water from public fountain, or buy from private vendors. Electricity supply on the other hand is in better condition. Almost more than half of the housing units (61.6%) have private connection and less than half (37.9%) have shared connection with the others. But all have access to electricity service.

However, the situation of sanitary facilities, such as toilets and cooking space portrays the *Kebele* houses at their worst. Out of all the *Kebele* houses covered by this survey only

about 7% have access to private toilets and about 2% have no access to toilets at all. The great majority (90%) use shared pit latrines of very poor sanitary conditions; due to the over use of the existing toilets, and over flows of latrines is frequent. From 5 to 20 households can use the same toilet facility.

With regard to cooking space, nearly 23% have private kitchens, while 70% of the kitchens are shared and used on average by 5 to 10 households. Although the kitchens were built decades ago, they have not been repaired and most are presently in dilapidated condition. About 7% of the housing units do not have Kitchens at all and the tenants use open air, a corner of the room or other means for cooking facilities. Some respondents reported that lack of disposable income is one of the reasons for failure to build new kitchens or to repair what they have. Others claim that lack of space is the problem to build new kitchens.

Regarding solid and liquid waste disposal facilities, the situation seem to have been improved from what was observed in previous studies on Kebele houses. In the study area, 87% of Kebele house tenants claim that they have access to a communal solid waste collection facility (Genda), while 0.5% use ground holes dug for solid waste disposal and 12.5% simply throw away their solid waste. Recently dug open drains seem to be extensively used in the neighborhoods of the study area for liquid waste disposal. 81.3% of the respondents claim to use these open drains for liquid waste disposal while around 3% use closed drains. On the other hand 15.1% of households responded that they don't have any means of liquid waste disposal facility and they simply spill on the ground whatever liquid waste they have.

Vis-à-vis accessibility of the kebele houses around 66% have vehicular access while around 33% of the houses can only be accessed by a pedestrian track or a foot path.

**Table 5      Distribution of Service Facilities**

TYPE OF SERVICE	SERVICE DELIVERY	PERCENTAGE FROM TOTAL SAMPLE HOUSES
Water	Private/shared in compound	33.7%
	Public fountain or buying from private vendor	66%
Electricity	Private	61.6%
	Shared	37.9%
Toilet	Private	7.3%
	Shared	90.7%
	Absent	2.1%
Kitchen	Private	22.8%
	Shared	69.8%
	Absent	7.4%
Solid waste disposal	Communal Collection (Genda)	87%
	Dug Out	0.5%
	Throwing away	12.5%
Liquid waste disposal	Closed drains	3.6%
	Open drains	81.3%
	Absent	15.1%
Accessibility of the house	Vehicular access	66.7%
	Foot path	33.3%

Briefly analyzing the findings in this part shows that Kebele houses for the most part are characterized by congestion, extensive sharing of service and facilities and a general lack of space. Kebele houses are found in very congested conditions where from five up to 10 housing units can be found in one small compound and where most housing units are attached sharing common walls. Every available space in the compound is extensively used that there is hardly any place to construct additional toilets or kitchens or other necessities, if they are needed.

Congested living condition and lack of space thus necessitate extensive sharing of services, such as kitchens and toilets and available space within compound for domestic activities or domestic household chores. This forced extensive sharing in turn leads to deterioration in the quality of existing services and facilities, social tension and creation of an unhealthy living environment. As it is indicated above, facilities such as toilets and kitchens are shared by many households; and with poor up keeping the quality of the facilities easily deteriorates. In cases such as, pit latrines where more than 15 households are using the same facility, the situation can easily turn into a great health hazard. It is a ripe ground for the spread of epidemics and other communicable diseases. On top of the health hazard it poses, extensive sharing of services and facilities and inadequate compound space for domestic household chores is likely to lead to social tension and conflict between tenants in the same compound, all of which does not contribute to conducive living environment.

The fact that some of the tenants dispose off solid and liquid waste in precarious manner, aggravates the danger of unhealthy housing environment. With the high level of housing

congestion that prevails in Kebele housing, simply throwing away solid and liquid waste can turn into a great health hazard.

The findings also show that almost one third of Kebele houses do not have vehicular access. This means, the houses can not be reached by vehicles in case of emergencies such as a fire outbreak. With prevailing congestion of housing units, inaccessibility or lack of vehicular access can mean a great disaster if such catastrophe should occur.

In short, Kebele houses in general do not provide a favorable living environment. On top of having poor housing quality, their physical structure coupled with the congestion and extensive sharing of facilities do not make the houses attractive as properties, to own. On focus group discussions tenants have claimed that crowding of housing units with in one compound, extensive sharing of facilities and lack of space are the major problems of Kebele houses. And for this reason most live in them because they lack other option, but do not wish to be owner occupiers of Kebele houses. Consequently, addressing the problem of crowding appears to be one of the first most essential steps towards improving the condition of Kebele houses and tenants quality of life.

#### **4.2.3. Housing Density**

More than 84% of the *Kebele* houses in the study areas have only one or two rooms, 30.9% having one room and 53.2% two rooms. The rooms are often too small to accommodate the whole household members ranging from 1 to 10 persons per household. The average number of people per household is 5.5 while the average number of persons per room is 3.

A density of 5.5 persons per household observed in Kebele houses, in this study, is similar to the 5.25 persons per household that prevails in urban areas of Ethiopia according to the 1995/96 Housing, Income, Consumption and Expenditure survey. Yet the rooms are small, 30% being only one roomed housing units. Therefore, crowding in Kebele houses prevails not just in number of housing units per compound but also in number of persons per housing unit.

The minimum room occupation, i.e. the fact that the majority tenant households occupy one or two rooms, can be a reflection of the difficulties of getting access to affordable housing and the obvious cheap accommodation offered by Kebele housing. Kebele authorities, during the previous socialist government, used to encourage sharing of a kebele house trying to provide housing to many households as possible. Kebele officials used to introduce sharers, especially when rental arrears are accumulated and tenants claim inability to pay for lack of money, so that the rent can be split among the two households, or sharer tenants. Sometimes the authorities used to divide a one room housing units to introduce a sharer. The out come is, presently, most tenants occupy one or two roomed units of very small size. This trend of crowding is also likely to continue and perhaps worsen, if the status-que is maintained in tenure, administration and ownership of Kebele houses. This is very likely since the options of getting access to affordable housing is declining in the city and Kebele housing provides the cheapest form of housing accommodation.

#### 4.2.4. Tenants Assessment of their Housing Condition

Previous studies have assessed the condition of Kebele houses based on a technical criteria such as the costs required to maintain the houses in comparison with costs that will be incurred if complete replacement of the house is going to take place (NUPI, 1988). Accordingly, the studies have found out that the majority of the Kebele houses are found in fair or poor condition, and few in good and very good condition.

In this study a subjective criterion is used to assess the condition of the houses, based on the impression and self-assessment of the Kebele house dwellers themselves'; a self assessment, however, that did not take into account housing density and service delivery, but only the actual physical condition of the house. And the results are not in contradiction with the assessments of previous studies, where mostly technical criteria were used.

**Table 6 Comparison of Studies on Physical Condition of Kebele Houses**

HOUSING CONDITION	1988 KH STUDY (TECHNICAL CRITERIA)	1996 PADCO/NUPI (TECHNICAL AND OTHER CRITERIA)	CURRENT FINDINGS BASED ON (SELF-ASSESSMENT BY DWELLERS)
Good/v. Good	17%	19%	28%
Fair	51%	38%	40%
Poor	32%	43%	32%
Total	100	100	100

Source: NUPI, 1988; PADCO, 1997; and Own Survey

According to estimations of the NUPI study in 1988, with out maintenance and intervention, after 5 years 45% of the houses will have been out of use, fit only for demolition, and 40% in need of urgent repairs (NUPI, 1988). However, after fourteen years, the condition of the houses does not seem to indicate further deterioration. This could be explained as a difference in the criteria used for assessment by previous studies and the current survey. The finding of this survey can be reflecting an attitude of tenants, which measures the condition of the house against affordability and not against abstract technical criteria. However, it could also be a reflection of tenants' efforts at maintaining and investing on their dwelling units which will be described below.

Finally, evaluating the findings of the housing condition of Kebele houses, the major problems that lead to poor housing condition primarily appear to be the non-durable construction materials and the congestion of housing units in one compound, over using poorly kept facilities, and a general lack of space. Public services, such as, electricity and potable water are fairly well distributed among the dwellers, because all have easy access to those services. Even when water taps are not all the time found in each compound, potable water is easily accessed from a public fountain, for a very cheap price. Therefore, it can be concluded that to improve the quality of the Kebele housing stocks, solving the problems of overcrowding, congestion and lack of space takes precedence over others.

#### 4.3. Profile of Kebele House Tenants

Kebele house tenants are profiled based on their means of earning livelihood, which includes; the amount of household income and means of earning income, saving and coping strategies, tenant's tendency to invest on their dwelling units and their hopes and aspiration and preferences for housing ownership and alternative tenure systems.

Income, saving and coping strategies help to determine the economic viability of tenants and to differentiate between vulnerable and non-vulnerable groups of tenant households. The profile on housing investment trend of tenants helps to establish tenants' perception of security of tenure, the association their perceived security of tenure has on maintenance and investment efforts as well as the kind of security of tenure provided by the public system of tenure. And lastly the profile on tenants' preference of system of ownership and housing tenure indicates willingness to become owner-occupiers and more specifically consent to purchase the Kebele housing units they dwell in. Factors that influence tenant's choice for a certain system of tenure, such as affordability and perceived sense of security of tenure as well as physical condition of the house and their implication will also be assessed.

#### **4.3.1. Livelihood Strategies of Tenant Households**

##### **I. Income**

The position of kebele house tenants with respect to income is examined based on the amount of compound household income, households' major source of income and their ability to cover expenditure, or cope in financial distress situations to establish vulnerable and non-vulnerable groups of tenant households.

The income status of Kebele house tenants is slightly lower than the income earned by the urban population in Ethiopia, as indicated in the Housing Income Consumption and Expenditure survey of 1995/96. In the survey, the percentage of urban households who earn income below 170 birr per month is 23.1% and about, 60.9% earn incomes less than 450 birr per month. In this study, on the other hand, out of the sample Kebele tenant

households, 44.86% earn income less than 200 birr per month, in which 24% are earning monthly income less than 100 birr. In the study areas, about three-quarters of households earn incomes less than 400 birr per month. In the 1995/96 survey, urban households who earn income above 1,000 birr per month have accounted for 13.5% of the total urban population while in this sample of kebele households, those who earn income above 1,000 birr per month account only for 4.5% of the total sample households.

Previous studies on Kebele houses have also indicated the low-income status of Kebele house tenants, comparing the 220 birr per month average income earned by Kebele house tenants with the average 325 birr per month earned by the total households in Addis Ababa (NUPI, 1988). A study on the housing sector in Ethiopia, PADCO (1997) have also put the median income of households in Addis Ababa at 391 birr per month. On the other hand in this study the median household income of Kebele houses lie between 200 and 400 birr per month.

**Table 7. Compound Income of Tenant Households**

<b>Income level</b>	<b>(&lt;200) Very low</b>	<b>(200-400) Low</b>	<b>(400-700) Lower Middle</b>	<b>(&gt;700) Upper Middle</b>	<b>and</b>	<b>Total</b>
Total households	44.2%	29.3%	18.2%	8.3%		100%
Male-headed	29.4%	35.2%	24.5%	10.8%		100%
Female-headed	62.9	21.8	10.3	5.1%		100%

As table7 shows, the majority of households lie in the lowest income category. However dis-aggregation by male-headed and female-headed households shows that female-headed households are more vulnerable. The majority of female-headed households, 63%

out of the total female-headed households, earn incomes less than 200 birr per month, while, from the male-headed households only around 30% earn monthly income less than 200 birr.

Source of income also describes the economic well being of Kebele house tenants, differentiating between those who have a stable source of income, which has credit worthiness and those who don't have a stable source of income, who earn their incomes from informal economic activities. Sources of income such as wage/salary, formal own business are aggregated to form the stable source of income category while, informal income generating activity, pension, remittance, etc are aggregated to form the non-stable source of income category.

**Table 8. Tenant Households' Major Source of Income**

<b>Source of income</b>	<b>Stable</b>	<b>Non Stable</b>	<b>Total</b>
Total households	45.9%	54.1%	100%
Male-headed	55.3%	44.7%	100%
Female-headed	39.8%	60.7%	100%

The data shows that the majority of the households, more than half, fall in the non-stable income category, earning their income from informal activities, remittance, etc, which does not give them access to credit. When dis-aggregated to male and female-headed households, the majority of female-headed households fall under the non-stable source of income category, while the majority of male-headed households fall under the stable source of income category. This could be due to the fact that women have to rely more on

informal activities to support their families when they become heads of households, since they are usually more excluded than men from wage employment.

Tenants' ability to cover expenditure is a third variable used to categorize tenant households and define their ability to cope in financial distress situations. Ability to cover expenditure here is defined as tenants' ability to meet their monthly expenditure requirements, with out borrowing, using resources at their disposal. Ability to meet expenditure requirements thus defines tenants' extent of vulnerability, susceptibility in face of crisis or financial distress situations. However, it should be noted that the classification by ability to cover expenditure is based on tenants own perception. No method is employed on the part of the researcher to categorize tenants as such or to identify their ability to cover expenditure. Tenants response to the question of ability to meet monthly required expenditures is the sole base for categorizing tenant households on ability to cover expenditure

The majority of tenant households in the study area are poor, where most are almost always hard pressed to cover their monthly expenditure and unable to cope in crisis situations.

**Table 9. Tenants Ability to Cover Expenditure**

<b>Ability to Cover Expenditure</b>	<b>Always</b>	<b>Sometimes</b>	<b>Not at all</b>	<b>Total</b>
Total Households	26.3%	36.3%	37.4%	100%
Male-Headed	33%	30.2%	36.8%	100%
Female-Headed	18.1%	43.4%	38.5%	100%

Table 9 shows that while the majority of the tenant households responded that they are unable to cover expenditures at all, female headed households are the most vulnerable groups who are most of the time hard pressed to meet their expenditure requirements.

Ability to cover expenditure of households or ability to cope shows a positive relationship with income and source of income of households. As joint family income declines from upper to middle, low and very low-income level category, households' response of ability to cover expenditure also successively gets reduced from always to sometimes and not at all. And households with non-stable sources of income are mostly always hard pressed to meet their needs. From households whose major source of income is wage/salary or formal own business, 27% responded that they are always able to meet basic expenditures, while 40% responded sometimes and 28% responded that they couldn't meet basic expenditures at all. On the other hand, from households whose major source of income is categorized, as non-stable only 17% are always able to meet basic expenditures, 39% sometimes and 37% responded that they are not at all able to cover basic expenditures.

**Table 10. Relationship between Tenants' Ability to Cover Expenditure and Source of Income**

Ability to Cover Expenditure	Percentage of Households within Stable and Non Stable Source of Income.	
	Stable	Non Stable
Always	27%	17%
Sometimes	40%	39%
Not at all	28%	37%
Don't Know	5%	7%
Total	100	100

## II. Copping Strategies

The coping strategies followed by tenant households in times of financial distress situations are in most cases similar. The most common strategies include relying on social networks and kinship for borrowing, reducing consumption items including food and skipping payment of bills such as house rent. Less food consumption can also mean reducing the number of meals eaten per day. Tenants in vulnerable situations also engage children in work, where sometimes children would even be required to drop out of school in order to support the family. In some 16% of the tenant households in the study areas the children have been forced to drop out of school and work because of a financial crisis situation the household faced.

Subletting part of the kebele house is also another coping strategy used by tenant households, which can often turn into a permanent source of income for the households. Although, it is not possible to clearly indicate the number of Kebele houses informally sublet, in focus group discussions tenants have estimated that 1 in every five Kebele house is informally sublet. That means, approximately, about 20% of Kebele houses are informally rented out by their tenants who could either be living in the same housing unit or are acting as absentee land lords. Focus group participants also claim that absentee landlords are found in very small proportion and most tenants who sublet the Kebele house also live in the same house, renting out one of the rooms or if the housing unit consists of only one room, using cardboard or similar material to divide the room, and renting out part of the room

The survey also shows that some of the residential Kebele houses are used for informal home based commercial activities, from which tenants earn a living. Multiple use of residential housing prevails among 12% of the kebele houses included in the study, where houses are also used for commercial purposes. Around 26% of working heads work in the same kebele house using it for income generating activity. And from household heads who are engaged in informal activity 32.6% work with in the same kebele house in which they dwell while 38.7% of households whose major source of income is informal work, use the same Kebele house in which they live to work as well. Thus multiple use of kebele housing especially for those engaged in informal economic activity have a crucial place in the livelihood strategies of tenant households.

Apart from multiple use of a Kebele house its location in central places and market areas play important role in survival strategies of tenant households. According to the survey result, the majority of the respondents (57%) obtain their livelihoods in their residential neighborhood. From those tenants whose major source of income involves informal income generating activity nearly 70% obtain their livelihood from their residential neighbourhood Hence, there is strong relationship between the livelihood strategies of the tenants and the residential neighborhoods, especially for those engaged in informal activities.

### III. Saving, financial and social capital of tenant households

Although it would be appropriate to compare total expenditure with total income of households, and use the difference to identify the rate of saving among tenant households, this has not been possible in the study. Most tenants in the survey don't have a regular

wage or salary, and live on day to day bases, usually depending on informal work or casual work that comes in handy, and thus can not actually state their average expenditure. Therefore, questions that directly ask about their saving behavior are used to identify the trend of saving among tenant households. Bank saving, 'Equip' and 'Edir' membership are taken as variables that indicate the types of saving among tenant households.

Bank saving and Equip (*a traditional saving culture, of rotating fund, pulled together from all participants*) account for a very small proportion of saving of households. From the sample households only 2% put aside a portion of their income in bank deposits, while 5% use 'Equip' for saving.

The 'Edir', (*a social network, a community self help system, organized for the purpose of supporting households, in times of social crisis such as, occurrence of death in a member's household*) appears to be the only common and major form of saving used by tenant households. While 'Edir' contributions does not exactly represent saving, it embodies a form of social capital whose resources can be drawn up on in certain special conditions and occurrences in a household that may cause financial distress situations. 'Edir' is held as an important social asset by the almost all tenant households. And around 86% of the tenant households in the study belong to at least one 'Edir'. A households' monthly contribution for this social institution may range from birr 2 up to 73 per month; based on the capacity of households and the number of 'Edir's' of which a household is a member. And most tenants are members of two or more 'Edir's'.

However, overall most Kebele house dwellers have a very low and almost non-existent saving culture, especially in the form of conventional saving methods such as bank deposits or even '*Equib*'. The reason given for not saving was that what tenant households earn is not enough for anything more than daily needs. Often, it is even below their daily need.

Evaluations of tenant households' livelihood strategies show that most of *Kebele* house tenants belong to a vulnerable group, in which female-headed households constitute the majority. Often, tenant households depend on the *Kebele* houses, for more than shelter. Apart from serving as cheap shelters for tenants who don't have other options, the houses are also sources of livelihood opportunities, where home and neighborhood based informal commercial activities take place. Most of the tenants are people who live at the margins of poverty, whose coping strategy constitute less food consumption, even when what is already being consumed is the bare necessity. They don't have any saving culture, partly because, their earnings are not enough to cover the bare necessities of living let alone save. Even for the relatively better off, the cheap housing accommodation they get, the security it entails, also does not encourage them to save for housing. The resources of their social network, *Edir*, on which they heavily rely up on and in a way put up on what saving they can afford, is not always available to help them out to cope in crisis situations, because it has its own rules and serve limited purposes.

### 4.3.2. Housing Investment Trend

Previous Kebele house studies have stated that the poor condition of housing stocks under the control of *Kebeles* is the result of existing tenure arrangements and housing management systems, that haven't created an incentive for the tenants to maintain and invest on their dwelling units (PADCO, 1997). However, the finding of this survey indicates that the maintenance and investment trend of Kebele house tenants on their dwelling units is often above those presumptions.

In the households covered by the study, about 93% of the tenants have done some kind of investment on the house. They have either paid for installment of infrastructures such as private electric meter or water tap; or have done some light maintenance and investments such as, painting and plastering; or heavy maintenance or investment such as, partial rebuilding and complete reconstruction of the house. Some have undertaken two or more of the types of investments listed here. Except for complete reconstruction cases, where there was NGO intervention in the *Kebele* houses of the study area, almost all the rest of the investments were undertaken by the *Kebele* house tenants own resources, with out any external assistance, apart from social network supports, such as family or relative support.

Nearly 24% of the Kebele houses in the study area have been completely reconstructed, in which the tenants themselves undertook 26% of the reconstruction cases and NGO's around 70% of the reconstruction cases. The rest around 32% have been partially rebuilt at least once by the tenants themselves. And at least 64% of the houses that have never been reconstructed or partially rebuilt have received a lower degree of maintenance such

as painting and plastering, all of which is undertaken by the Kebele house tenants themselves.

**Table. 11. Distribution of Investment on Housing: Percentage of Households, from total Sample of Households, who carried out the Listed Types of Maintenances or Investments**

Frequency of Maintenance and Investment	Types of Maintenance and Investment			
	Infrastructure -re Installment	Painting	Partial Rebuilding	Complete Reconstruction
Never	51.3%	31%	67.6%	76.3%
Once	47.7%	16%	26.4%	22.7%
Twice	0.5	24%	4.1%	0.5%
More	0.5%	24%	2%	0.5%
Total	100%	100%	100%	100%

The percentage of tenants who have never done any kind of investment on the house is very low, and they belong to the lowest income category. Only 7% from the total households covered by the survey failed to do any kind of investment on the house. And from among them more than half (58%) have compound household income less than 100 brr per month. More than 90% of the non-investing group earn income less than 400 EB per month. The non-investing group is also vulnerable when it comes to ability to meet basic expenditure, as the majority responded that they are almost always hard pressed to meet their daily necessities.

The most frequent reason given for non-maintenance of the kebele housing units by the tenants is related to affordability. Nearly 68% attribute their failure to repair their dwelling units to lack of income, while 17% said they have no access to loans and 5%

attribute failure to high cost of construction materials. The fact that the *Kebeles* own the houses or that they are public house tenants doesn't appear to constrain maintenance or investment on the house, significantly. During focus group discussions, it is revealed that since the take over of government by the EPRDF, the Kebeles have ceased undertaking any maintenance activities leaving the entire house up keeping responsibility to tenants. However, the procedures required to get permission to invest on the house or maintain it have not been removed. If tenants want to follow the formal procedures the bureaucratic red tape involved is discouraging. Most abandon the formal procedures and maintain the houses on their own. But, they do it at the risk of informality.

There is a relationship between investment of tenants on the *Kebele* house with income of households and duration of tenancy. The higher the income of the tenant households and the longer the term of residence in the house, the more is the frequency and degree of investment on the house. In addition, investments such as complete reconstruction of the house, partial rebuilding, and painting have generally increased along with the increase in duration of tenancy.

**Table 12. Association between Duration of Tenancy and Tenants' Tendency to Maintain or Invest on their Dwelling Unit**

Investment and Maintenance		Duration of Tenancy			
Type of Investment		Below 10 years	Between 10 and 20 years	Between 20 and 30 years	Above 30 years
Painting and plastering	At least once	58.3%	63.3%	75%	85.1%
	Never	41.7%	36.7%	25%	14.9%
	Total	100	100	100	100
Partial Rebuilding	At least once	20.8%	33.3%	36.1	34.3
	Never	79.2%	66.6%	63.9	65.7
	Total	100	100	100	100
Complete Reconstruction	At least once	4.2	13.3	19.5%	43.3%
	Never	95.8	86.6	80.6%	56.7%
	Total	100	100	100	100

Table 12., shows that tenants tend to invest more on the house as their duration of tenancy increases. This is especially pronounced in complete reconstruction cases where nearly half of the tenants with longest term of residence have completely reconstructed the house at least once.

Therefore, the findings of this study imply that tenants feel secure enough to invest on the house, because they gain extended benefits for investment from long term tenancy. This seems credible especially since long-term tenants tend to invest more on the house. The

findings also imply that low housing quality of kebele houses is not so much a result of lack of security of the dwellers, who failed to maintain the houses, as it is due to lack of income of tenant households and congested living conditions.

### 4.3.3. Aspiration of Tenants regarding their Tenure Status

Aspirations of tenant households concerning their tenure status is examined by classifying it into two separate categories, as the mere wishes and preferences of tenant households and their willingness or preparedness to buy the houses. The preference of tenants regarding their tenure status was assessed by questions related to their future housing plans and opinions. Tenants' willingness or preparedness to buy the house was, on the other hand, assessed by questions that directly asked whether tenants will buy the houses if they are sold.

**Table 13. Future Housing plan of Tenant Households**

HOUSE-HOLDS	PERCENTAGE WITH IN FUTURE PLAN OF TENANCY				
	Remain a Kebele house tenant	Become owner occupier	Don't Know	Others	Total
Total	63.2%	21.1%	11.6%	4.2%	100%
Male-headed	62.6%	21.5%	13.1%	2.8%	100%
Female Headed	64.6%	20.7%	8.5%	6.1%	100%

As shown in table 13, the future plan of the majority of the tenants is to continue as *Kebele* house tenants. And when tenants were asked whether they have ever made any attempt to acquire their own housing, previously, 91% responded that they have never

made any attempts so far. Very few, 9% of tenant households only, have made active plans to acquire their own housing, in the past. The responses given for failing to attempt to acquire own housing include, mostly, lack of income (55%), lack of access to housing loans (23.3%), and satisfaction with current tenure status (10.6%). Bureaucracy and high standard building regulations were also given as discouraging factors that hinder tenants to look for their own housing accommodations by 8.3% of the respondents.

Accordingly, variables such as future plan of tenancy and previous attempt to acquire housing shows that tenants are satisfied with their "public house renter status" where, the rent is artificially low set, fixed with no fear of increment and where there seems to be relative tenure security. (Even when months of arrears are accumulated they are not evicted) As such, tenants haven't made active plans to change their housing status. The existing legal and financial infrastructure in the housing sector is also not encouraging or helpful for them to seek other types of housing accommodations, such as getting their own housing.

Opinion responses of the tenants on the future tenure status of Kebele houses also show that the majority preferred continuity of the public tenure system. 68% of the respondents preferred the public tenure system of Kebele houses to continue, in which half opted for continuation of the low rent kebele house tenure system the way it is and the other half for modification where there will be a reasonable rent increment to meet maintenance needs of the houses by the Kebele while they remain under public tenure ship. Only 28% supported the transferring of the kebele houses to sitting tenants through privatization. However, on the other hand, when tenants were asked whether they will be willing to buy

the kebele house if it is going to be sold, the majority responded that they will agree to buy the house.

#### Comparison of Tenants Preference and Willingness to Buy the Houses

**Table 14. Tenants' Opinion regarding the future tenure status of Kebele houses**

<b>Opinion</b>	<b>Total</b>
Continuity of public tenure	34%
Modification with in public tenure	34%
Sell off / Privatization	28%
Others	4%
Total	100%

Table 14, shows that most tenants (68%) clearly prefer the continuity of public system of tenure, either the way it is or with modification of the rent system, with increasing rental price charge that will be able to meet the needs of maintenance and up keeping of the house. In comparison, tenants who preferred privatization, or sell of public houses to sitting tenants are small in proportion. And yet this preference for a public system of tenure appears to be contradicted to tenants response to question of willingness to buy the house indicated in table 15 below.

**Table 15. Tenants' willingness to buy the Kebele houses**

<b>Willingness to Buy</b>	<b>Total</b>
Yes	60.5%
No	30.5%
Not sure	9%
Total	100%

Table 14 and 15, show that while most tenants would like to see the current kebele housing system of tenure continue, still the majority would agree to buy the kebele house if it is going to be sold. However, from those who responded yes, to willingness to buy the house only 40.9% would really prefer privatization, while 56% of them would rather have the public tenure system continue the way it is or with the modifications mentioned above. This seeming contradiction of tenants responses, i.e., preferring continuity but willing to buy the house if privatization takes place can be explained by the respondent's fear of eviction if they are found to be unwilling to buy the house. In other words, tenants prefer to continue as public house tenants paying low rent that they are sure of never increasing where accumulation of rent arrears will not result in their eviction. They feel secure in public rental houses. Yet if the houses are to be sold, they prefer to buy them from the government, because they know the financial and legal infrastructure in the housing sector will not enable them to get access to a housing accommodation they can afford, outside the public sector. This implies that for the large part, tenants' agreement to buy the house is neither a reflection of their financial viability nor preference for a private tenure but rather a reflection of lack of other options.

The major reasons for tenants who are not willing to buy the house for choosing not to do so are associated with affordability. 72% of tenants, who reported that they were not willing to buy kebele houses, said they lack resources with in their disposal that enables them to buy the house, and also lack access to credit. About 27% of the tenants also gave additional reasons of dilapidated and deteriorating housing condition for choosing not to buy the dwelling unit in which they live in. About 23% also attributed their unwillingness to buy the house on size of the dwelling unit being small and unattractive because of its attached physical structure, in addition to problems of affordability.

Tenants' willingness to buy the house also shows a positive association with income and tenants ability to cover expenditure and their having a stable or non-stable source of income, all of which are factors that define vulnerability. The number of tenants who are willing to buy the house declines as compound household income reduces, and as tenants' ability to cover expenditure also declines from always to sometimes and not at all.

**Table 16. Association between Income and Tenants' Willingness to Buy the House**

Response to willingness to Buy	Percentage with in Joint Household Income Category			
	Very low (<200 per month)	Low (200-400 per month)	Middle (400-700 per month)	Middle and Upper (>700 per month)
Yes	48.1%	67.9%	72.7%	73.3%
No	38%	26.4%	24.2%	20%
Not sure	13.9%	5.7%	3%	6.7%
Total	100%	100%	100%	100%

Table 16, shows that overall tenants with higher income are more willing to buy the house, although, a significant number of households with low and very low income have also responded positively about their willingness to buy the house. However, as it is mentioned above this does not show tenants preference for change in the prevailing public housing system of tenure, but rather reflects tenants' perception of the meager chances that are available to get an affordable housing accommodation outside the public sector. This is likely to be the case since, two third of tenants who agreed to buy the Kebele house, in the very low income category, would actually prefer the kebele housing tenure to remain in the public hand. Similarly, nearly two third and more than half of the tenants who agreed to buy the kebele house, in the low and middle income categories respectively, chose the continuation of public ownership and administration of Kebele houses.

**Table 17. Association between Tenants' Willingness to Buy the Kebele House and Their Ability to Cover Expenditure**

Response to willingness to buy	Percentage of Tenants with in Ability to Cover Expenditure		
	Always able to cover expenditure	Sometimes able to cover expenditure	Not at all able to cover expenditure
Yes	71.4%	66.2%	48.4%
No	22.4%	26.5%	39.1%
Not sure	6.1%	7.4%	12.5%
Total	100	100	100

Table 17, shows that tenants who are more vulnerable to financial distress situations, and who are most of the time hard pressed to meet their expenditures are more reluctant to buy the Kebele house. Even those who responded positively however do not want privatization. From vulnerable tenant households who are always hard pressed to cover their expenditures but agreed to buy the house, nearly two third would prefer the public ownership and administration of Kebele houses. Similarly, more than half of tenants who are always and sometimes able to cover their expenditure, although agreed to buy the Kebele house if privatized, they opt for the continuation of the public system of tenure.

Thus tenants' willingness to buy the Kebele house seems to be affected by income and their ability to cover expenditures. However, even tenants who have higher incomes and have no or less difficulty of meeting their expenditure, are not proponents of privatization. Even from this better off group of tenants the majority prefer continuity of the public system of tenure. Among other things, this indicates that apart from the question of affordability, the securities enjoyed by tenants in public housing system have created dependence on the public housing system.

Tenants' willingness to buy the houses also shows close association with frequency of investment on the house.

**Table 18. Tenants' Willingness to Buy the House and Investment on the House.**

Response to willingness to buy	Percentage of Tenants with in Frequency of Investment and Maintenance										
	Painting				Partial rebuilding				Complete Reconstruction		
	Never	Once	Twice	More	Never	Once	Twice	More	Never	Once	Twice
Yes	37.5%	48.7%	72.5%	67.2%	47.6%	57.8%	62.5%	60%	51.6%	53.7%	100%
No	56.3%	38.5%	25%	24.6%	38.1%	33.3%	37.5%	20%	41.9%	31.7%	
Not sure	6.3%	12.8%	2.5%	8.2%	14.3%	8.9%		20%	6.5%	14.6%	
Total	100	100	100	100	100	100	100	100	100	100	100

Table 18, shows that tenants willingness to buy the house generally increases with increase in frequency of investment. Tenants who have invested on their dwelling unit are more willing to buy the Kebele house.

In short, tenants' willingness to buy the house is affected by many factors such as, household income, a ability to cover expenditure and previous investment on the house. Those who are not willing to buy the house belong to the most vulnerable group. However tenants' willingness to buy the house does not show their preference for sell of public houses. As the tables above illustrate, tenants cherish the securities of public house tenancy and even tenants in the highest income category are not proponents of privatization.

Evaluating the findings of the study in this section has thus, the following implications. The fact that the majority of the tenant households opt for continuity of the current tenure system and most have never done any active attempt to acquire other forms of housing accommodation shows that de facto security of tenure is already attained. Security of

tenure created by privatization and de jure ownership of the houses may not lead to a rash to better housing maintenance and improvement, as tenants seem to do that with the de facto security they enjoy right now.

On the other hand, the fact that few tenants have ever made attempts to acquire their own housing indicates that households' income allocated for housing consumption is low and saving for housing is non-existent. This low effective demand for housing created by low saving for housing is a result of low rental Kebele houses, which distorted housing consumption. Privatization may encourage saving for housing and raise effective demand for housing in the long run, as artificially low set public rental houses are removed from the sector.

## CHAPTER FIVE

### 5.1 Implications of Findings

In this section of the paper implications of the research findings will be discussed in light of the theoretical background presented on current housing policy of Ethiopia and the suggestions of privatization of Kebele houses proposed by previous studies.

According to the rationales given for the privatization of public houses and proposals of previous studies the transfer of ownership of *Kebele* houses by selling them to current tenants is expected to bring about improved housing quality, through better management, owner investment and acquisition of more revenue by the city for spending on housing related infrastructure. It is also expected to bring about efficient allocation of housing stocks and less economic wastage by improving housing market distortions. And lastly, privatization is expected to strengthen the ability of the poor to withstand crisis situations through creation of assets.

The findings of this study in brief, show that most Kebele houses are found in poor physical condition, made of poor construction materials, with over used service facility and increasing density in terms of housing units per compound, and number of persons per housing unit, which exacerbated the poor quality of service provision. Yet tenants' rating of the condition of their house shows that most tenants find their housing units in better than worse situations, unlike the conclusions of previous studies that predicted increasing structural failure and collapse of more housing units, which have fallen beyond repair (NUPI, 1988; and PADCO, 1997). Further investigation shows that there

has been an incremental upgrading on Kebele houses by the tenants themselves and that structural repair was taking place as incomes of tenants allow, and this has helped to extend the life span of the housing units. In fact, the condition of the houses often reflect the income condition of their dwellers, as there is close relationship between income of tenant households and the condition of their house.

**Table 19. Relationship between Income of Tenants and the Condition of Their Dwelling Unit as rated by Tenants Self Assessment**

Condition of the house	Percentage with in Joint Household Income Category			
	Very low (<200 per month)	Low (200-400 per month)	Middle (400-700 per month)	Middle and Upper (>700 per month)
Very good		1.9%	2.9%	13.3%
Good	17.5%	37.7%	35.3%	46.7%
Fair	42.5%	39.6%	38.2%	40%
Poor	40%	20.8%	23.5%	
Total	100%	100%	100%	100%

In line with the rationales of privatization that propose transferring of public houses to the more efficient management of the private hand, previous Kebele house studies have concluded that an essential way of improving the quality of Kebele rental houses is through, the creation of tenure security that will motivate tenants to invest on the housing units (NUPI, 1988, PADCO, 1996). Privatization or transfer of ownership right to the tenants was deemed to be the factor that will create security of tenure. This assumes,

Kebele house tenants do not maintain or invest on their dwelling units, because lack of legal titles of ownership discourages them to do so.

However, as the results of this study show, there seems to be more investment on Kebele houses by the tenants themselves. Moreover, all the reasons given by tenants for failure to invest on the houses are associated with lack of affordability and none with a problem of security of tenure. In the absence of ownership rights, rent control and protection of tenants may create de facto security of tenure that motivates tenants to invest on the house anticipating extended benefits from home improvement though long term occupancy (V.lall et al., 2002). This applies to residential Kebele house tenants who enjoy fixed low rent prices and protection from eviction. Thus, tenants who have never invested on the house belong to the most vulnerable group. They are those who are not even able to meet their daily necessities. The rest who are better off have tried to invest on the house and maintain it.

Findings of this study also show the existence of a relationship between income of households and the tendency of households to invest on the *Kebele* houses. Thus privatization by selling the Kebele houses to sitting tenants may give assurance to investment endeavors of those who are better off by giving them ownership rights. However it won't have much impact on improvement of the housing condition via tenure security motivated tenants. For the most vulnerable group, provided that they are able to keep the houses at all, at the time of privatization, there is no reason to expect their housing investment habit will change. In short, since the problem of poor housing quality

or more specifically lack of housing maintenance is much more a problem of affordability than of tenure security, there doesn't appear to be a rationale ground for expecting a rush towards housing improvement and investment on the house by tenants themselves by mere transfer of tenure.

Privatization may create asset for the poor who are somehow able to secure the purchase of *Kebele* houses by giving them access to loans and strengthening their ability to withstand crisis. But those who are not able to do that will find themselves worse off, unable to secure other forms of housing accommodation in the prevailing market prices and joining the rank and file of homeless people, unless they are heavily subsidized to enable them to acquire the houses.

Improved quality of housing through better investment and maintenance, better service provision, strengthened security of tenure and creation of asset to the urban poor are factors that will eventually contribute to the improvement of urban quality of life. The rationale given for disposal of public houses assumes that privatization of *Kebele* rental houses can be a driving force in this chain of cause and effect relationships. The findings and analysis of this study, as mentioned above indicates that privatization while surely strengthening security of tenure to *Kebele* house dwellers, it may not result in sweeping improved housing investment because de facto security is still enabling tenants to invest on their houses, and the poor housing quality is basically a poverty problem associated with lack of affordability. The threat of the current status-quo vis-à-vis housing quality being maintained is very real, unless the poorer households who need to be heavily

subsidized to retain the house are also subsidized to enable them to upgrade their dwelling unit. On the other hand, better service delivery will also have limited impact on improving urban quality of life, unless the privatization scheme also includes relieving density of the presently over crowded Kebele house compounds. Lastly, privatization will lead to creation of asset to the urban poor and improve their quality of life, only if the poorer tenants, among whom female headed households constitute the majority, are heavily subsidized in order to acquire the houses and further protected from losing their asset through distress sales, when faced with crisis situations.

Revitalizing the housing market, with an efficiently functioning supply and demand and where low cost housing is available to the low income groups is a policy objective sought in the housing sector of the country. Privatization of Kebele houses is expected to contribute to a well functioning housing market by removing market distortions caused by artificially low priced public houses. Low cost public rental houses distort households housing consumption and does not encourage saving for housing.

Supporting the above argument, the findings of this survey illustrate that most tenants, even those with high income prefer continuity of the current public management system, but will buy the houses if they are sold. And very few have ever made attempts to acquire their own housing before. This may reflect the difficulties of getting access to housing finance, high price of construction materials and an overall regulatory environment in the housing sector which constrained housing supply and reduced effective demand. However, it also reflects the low rental public housing benefits, which have not created

an incentive for saving and distorted households' consumption of housing through distorted prices, creating dependence on the state and curtailing mobility.

The removal of low rent houses leads to improved saving for housing which in the long run results in increased effective demand for housing, followed by a matching housing supply provided that the regulatory environment in the housing sector also encourages supply. Privatization is thus expected to lead to efficient allocation of housing stocks, reducing economic wastage, as housing stock allocation will become a function of household income.

However in the short run, as privatization of *Kebele* houses will merely transfer ownership of public houses to current tenants, there is no reason to expect more housing supply in the market that will eventually lead to decline in housing rental prices, especially taking into account the regulatory provisions in the housing sector which discourage housing production for low and moderate income groups, as described in Chapter three. With the removal of public low rent option, rental housing prices will increase and the worst affected groups will be the poorer tenants who are not able to secure purchase of the houses. For this latter group, among whom the majority depends on either home or residential neighborhood based informal income generating activity, loss of the *Kebele* house will mean both loss of a means of earning livelihood and shelter. With the distorted housing consumption behavior of tenant households, where there is no tendency to save for housing and their low income coupled with the current problem of inaccessible housing finance mentioned in Chapter two, effective demand for housing

will remain low for a long time. There is also no reason to expect reduction of density in housing occupation or low sharer prevalence and more mobility, which are necessary conditions to improve housing quality, because of the prevalence of low income of tenants and low affordability.

Therefore a viable housing market through privatization means, in the short run, removal of the current low cost housing option, in huge proportions. It will also mean displacement of some groups of the urban poor, the falling apart of their social networks, loss of shelter or even loss of a means of earning their livelihood. As such, it will increase the hardships of the urban lower and even middle income group supported by public housing, and will not contribute to improvement in their quality of life.

The policy objectives of urban development through redevelopment and urban upgrading include modernization of the inner city, making it more livable and improving the city image. A trade off within the urban development policy itself ensues, however, when redevelopment tries to comprise both policy objectives of modernizing the inner city, redeveloping selected areas and wanting to do it at minimum social cost of dislocation. Currently since most kebele houses are located in highly dense and central areas of the city, the houses are occupying prime urban land. The state is subsidizing the tenants with low rent prices as well as forgone revenue from lease and taxes, as all kebele houses are exempted from any form of land tax. Privatization of the houses will get rid of this economic wastage, if reallocation takes place and prime urban land currently in the hands of kebele house tenants end up in the hands of those who can pay more. However, it will

also displace the unfortunate, poor *Kebele* house tenants who make a living out of informal home or neighborhood based informal income-generating activities at the center of the city.

Finally, the impact of privatization of Kebele houses on urban quality of life, housing market and urban redevelopment can be summarized as follows. Privatization may increase tenure security of tenants but will not lead to better housing investment unless the poorer households are heavily subsidized. It will create asset to the urban poor obtaining the house through heavy subsidy but the asset can very easily be lost through distress sell in crisis situations. This is plausible if especially the poor are heavily indebted when they purchase the kebele house, or have taken loans to improve it.

Privatization, even if it led to better service delivery to kebele houses, it won't be enough to improve the quality of the house unless the problem of overcrowding is addressed. Therefore, privatization of kebele houses alone by itself will not contribute to improved urban quality of life unless supportive measures are taken. Some of these supportive measures can be housing improvement subsidies to tenants purchasing the house, extending protection from distress sales and addressing the problem of overcrowding in Kebele houses.

Privatization of Kebele houses will remove low cost rental houses from the housing market. In the short run this will result in increase of housing rental prices, houses becoming even more unaffordable to the urban poor (especially those displaced from the

Kebele house will be hit the hardest). The rate of sharing and overcrowding will increase. This is plausible since with the current rate of low saving and low income of households, effective demand for housing will remain low for a long time. Hardships will increase for the poor, the vulnerable groups, most of the female-headed households, as loss of kebele house will mean both loss of shelter and source of income.

Therefore, while privatization opens an opportunity to improve the housing market, in the short term it compromises cheap housing options for the urban poor. The trade-off between the creation of a viable housing market by privatization with improving urban quality of life lies in making low cost housing options available while at the same time ensuring better allocation of housing stocks and reducing economic wastage.

Finally, three points may be drawn from the analysis of the findings.

- Poor public housing condition of Kebele houses is basically a poverty problem, since affordability is the real reason behind failure of investment and up keeping of Kebele houses. Accordingly, the mere transfer of tenure of public houses is not likely to lead to improved housing and improved quality of urban life. Raising the income of the urban poor, strengthening their means of earning, keeping the urban mix of functions will on the other hand help the urban poor to address their own shelter problems and improve their housing units. On the other hand dumping a poorly kept and deteriorating public houses on the hands of tenants who are poor themselves is not likely reap effective results.

- The implication of the tenant households' income status, livelihood strategy is that Kebele houses have given shelter to the most vulnerable group of urban people. The global shift in housing policy and even the rationale behind privatization of huge stocks of public houses supports the residualization of public housing. This refers to state interference in housing or a public housing system that targets only the vulnerable group of society, those who can't have access to shelter without assistance. The current government policy on housing also supports this kind of interference as indicated in Chapter three. Accordingly, Kebele houses seem to serve exactly this purpose.
- The housing framework of Habitat mentioned in Chapter two and the whole theoretical background shows how a mere transfer in the system of tenure without supportive financial and legal infrastructures will fall short of meeting the objectives of privatizing public houses. The third chapter shows the prevalence of these problems in the housing sector in Ethiopia. To realize the market goals of privatization mentioned, i.e., raising of effective demand for housing and supply that rises to meet effective demand, supportive financial and legal infrastructures need to be provided. Better access to housing finance and even making available informal housing finance to those who don't have the credit worthiness to formal financial institutions is necessary. The house building and construction and regulatory environment, the system of plot delivery for construction, all need to be improved so that the constraint on supply be removed. However, in the current

context, privatization of all Kebele houses is likely to lead to increasing social hardship and removal of low rent housing option to the urban poor without any alternative being provided.

## 5.2 Conclusion and Recommendations

Kebele owned public houses are proving to be a policy challenge in Ethiopia in a period of transition to a market oriented economy. Kebele houses form large proportions of housing stocks in most urban centers of the country at large, and in the capital city Addis Ababa in particular. Residential Kebele rental houses form 44.4% of the total residential housing stocks of Addis Ababa. The houses have provided shelter to large number of poor and low income households in the city. However, the continuation of public ownership and administration of the houses, the way it is currently, will have negative effect on the city image, urban area redevelopment, housing condition and urban quality of life. Government intervention by privatizing the houses is suggested as a solution to solve the problems of Kebele houses, by previous studies. Nevertheless, this government action will also come at great risks and social costs that can not be simply looked over. Addressing the problem of Kebele houses, thus, requires making a tradeoff and balancing different and opposing policy objectives. It will also require a holistic approach of addressing issues of housing market, urban area redevelopment, creating a livable environment and improving quality of life of those living in Kebele houses, in the context of the present realities of the housing sector in the country.

Most Kebele houses, in Addis Ababa, and more specifically the study areas of 'Abnet' and 'Kuwas Meda' are found in poor condition. The houses are neglected, by their administrators, the Kebeles for different reasons and do not receive official maintenance. They are also found in highly crowded condition, with poor quality services, creating an unhealthy living environment. Lack of any government intervention and continuation of

the public system of tenure is likely to lead to more congestion and crowding, through increasing subletting and informal tenancy, as well as increasing prevalence of sharing. This is likely to happen because of the difficulties of getting access to housing elsewhere, and the cheap rental option provided by Kebele houses which has made rent price low not only for formal tenants, but also for informal tenants who sub lease from formal tenants.

With continuation of the current public administration, the Kebele houses may not be completely out of use, because long term house upgrading and improvement, as income of tenants will allow is taking place. However, renovation of Kebele houses, most of which are located in prime urban land will not take place. And without renovation those central neighborhoods will recede into decay with negative impact on the city image. Development of higher urban function and urban redevelopment will leave out the inner city. The city will also continue to lose revenue that can be generated from land lease and other taxes from which Kebele houses are exempted.

To avoid the costs of continuing inaction or lack of government interference in the sector, privatizing Kebele houses and shifting ownership and management to a private hand is presented as an alternative by previous studies. This is also supported by the government's economic policy of 1991 that issued for privatization of public rental houses, by giving priority to sitting tenants.

The Benefits of privatization includes, efficient reallocation of housing stocks and urban land which will pave the way for renewal of inner city neighborhoods; revitalizing the

housing market by removing low cost housing which will encourage saving and contribute to raising effective demand for housing. The houses under a private management are also expected to lead to improved housing condition, efficient and effective management. And lastly it will raise city revenue from sell and taxes, which can be directed into the housing sector.

However those benefits of privatization will come at great social cost. It will remove low cost housing option in great proportion. In the study area, the survey result has made it clear that Kebele houses have given shelter to households with low and very low income, most of whom will not be able to afford purchase of the Kebele house. The findings imply that around 30% of tenant households in the study area are not willing to buy the Kebele house they dwell in, simply because they can not afford it.

Loss of the Kebele house for tenants who depend on home and neighborhood based informal income generating activities is also loss of a means of earning livelihood. In the study area, more than half, 57%, of tenant households obtain their livelihood in their residential neighborhood. And around 70% of those engaged in informal income generating activity depend on their residential neighborhood. Therefore, lose of the Kebele house and consequent relocation, as a result of privatization, will drastically affect the livelihood strategies of a substantial percentage of tenant households.

In short, there is a looming threat of increasing homelessness, poverty, insecurity and deterioration in quality of life among tenant households if privatization measure is taken

with out providing any alternative for the majority, low income and poor tenant households.

Previous studies have suggested privatization at minimum social cost as possible, which includes the sale of Kebele houses at affordable prices and through long term payments to enable sitting tenants retain the Kebele house. Such proposals support selling Kebele houses at give away or highly subsidized low prices, accruing the benefit of privatization to improvement that will come from home owner investment. However, the approach also poses a danger of continuation of the current status-qu in the quality of Kebele houses. Findings in the study area reveal that poverty is the main reason behind lack of housing improvement. Thus lack of income or resources at their disposal can prevent sitting tenants, among whom the majority are poor low income groups, from improving their house after privatization. In addition, the problem of congestion, crowding of housing units in one compound, which reduces the quality of services in Kebele houses, will not be addressed by this approach. With the prevalence of housing shortage in the city, crowding and incidence of sharing is likely to increase in Kebele houses. In short, as witnessed by similar approaches taken to privatization elsewhere, the likely hood of the inner city neighborhoods, where residential kebele houses are concentrated, continuing the way they are is very high.

Privatization at affordable price and through long term payment is not promising to raising the revenue of the city, either. After privatization, with continued small hold

exemption from lease and roof tax, no significant revenue will be raised through sell or taxes.

Thus privatization of Kebele houses stands at cross roads of different policy objectives that have to be balanced, which are mainly; housing market development and providing affordable low cost housing option to the vulnerable and low income group; inner city development and improvement of city image with keeping intact the livelihood strategies of the urban poor in the inner city, developing a livable urban environment and improving quality of life of tenant households.

Finally, the study recommends that any attempt at privatization of Kebele house in the city, at least for the selected study areas, should take the following into consideration.

- There is a need to seek an alternative solution for about 30% of the Kebele house tenants who are poor and can't loose the benefit of low rent Kebele houses. Plus, there should be variable and flexible payment conditions to account for different levels of income as well as economic vulnerability of the poor. A mechanism should also be developed to deal with individual hardship cases.
- To realize one of the goals of privatization, housing improvement, there is a need to make informal credit and micro finance services available for low income tenants. There is also a need to relieve over crowding of Kebele houses by

providing alternative shelter elsewhere and relocation of households where required.

- An attempt should also be made to gain popular support for privatization of Kebele houses. The findings of the study show that currently, in the study area about 60% of tenant households are not in favor of privatization, whether they can afford to buy the Kebele house or not. This is due to factors such as economic constraint, unattractiveness of the Kebele houses as property and general conservatism. Most tenants fear the purchase of the house will be unaffordable or that it will result in rising costs of ownership, such as taxes. The small size of the housing units, most being one or two roomed units, and their physical attached structure also makes kebele housing unattractive. Stability of the current situation in terms of tenure, and the long standing low rent has also created dependence on the state and apprehension for change among tenant households. Thus to heed problems that will ensue when privatization of public houses does not enjoy popular support, as witnessed elsewhere, the dwellers should be extensively consulted and given the chance to influence the privatization program to get their support.
  
- About one fourth of tenant households in the study areas use their housing unit for double purpose of commercial activity as well as residential purpose. For the poor this option to use the house for income generating activity is often essential for survival. Therefore, privatization or an alternative arrangement should not strictly

separate residential and commercial use, but rather encourage use of the house for micro-economic activities.

- The prudence of a city wide privatization act should also be examined from the direction of the social cost it presents in terms of loss of low cost housing as well as means of livelihood to tenant households. Apart from central areas held for renewal and redevelopment in the city master plan elsewhere, in some low income areas, the low cost housing option provided through Kebele houses can continue with improved administration. Bureaucratic procedures that created difficulty for housing improvement can be improved to give tenants more discretion to formally improve their dwelling units. Improvement in revenue administration, decentralizing revenue administration and giving the Kebeles some authority over revenue collected can improve management of the Kebele houses. This will keep intact the low cost housing option for poor tenants whose housing need can not be supplied by the market.
  
- Any solution given to the problem of Kebele houses should not be seen outside the broader housing sector. Supportive financial and legal infrastructures should be created in the housing sector to realize the goals of public housing privatization. This will include opening access to housing finance, including small scale credit schemes, lowering construction and building standards to affordable level, providing easy access to construction materials at affordable price to raise effective demand. Also making housing supply easier especially for low and

middle income households by improving the regulatory framework, such as making easier and faster plot delivery system etc. to enable middle and low income groups have access to the housing service provided by the market.

## **List of References**

- Amis, Philip (1995), "Making Sense of Urban Poverty" in Environment and Urbanization, Vol.7, No.1.
- Amis, Philp and Carole Rakodi (1995), "Urban Poverty: Concepts, Characteristics and Policies" in HABITAT. INTL. Vol. 19, No.4.
- Anzorena, Jorge, et al, (1998) "Reducing Urban Poverty: Some Lessons from Experience" in Environment and Urbanization Vol. 10. No.1, April.
- Bengtsoon, Bo. (2000), "Housing as a Social Right: Implications for Welfare State Theory", a paper presented to "Housing in the 21<sup>st</sup> century: Fragmentation and Reorientation", ENHR Conference, Gavile, Sweden.
- Birke Yani (1998), "History of Urban Morphology and Land Use in Ethiopia in the Context of Changing Land Policies" in Zewdie Serbarro and Zelleke (ed) Urban Field Development in Ethiopia and Other Related Issues, Addis Ababa.
- Conley, Dalton (2000), Home Ownership, Poverty and Welfare State, Center for Advanced Social science Research, New York University.
- CSA (1998), Revised Report on the 1995/96 Household Income, Consumption and Expenditure Survey, Statistical Bulletin No. 204, Addis Ababa.
- Donnison, David V. (19969), The Right to Housing, Harvest House Limited, Quebec, Canada.
- Environment and Urbanization (2000), Poverty Reducing and Urban Governance, Volume 11, No. 2, April.

- Esayas Ayele (2000). Policy impacts on Housing Sector: The case of Addis Ababa, Ministry of Works and Urban Development, Ethiopia.
- Foldi, Zsuzsa (2002). Transformation of Social Housing Sector in Hungary in a European Context in the Period of Transition, Eotvos Lorand University, Budapest.
- Girmay Kahssay (1998), "Urban Development Work in Higher 4, Kebele 29" in Zewde Sebraro and Zeleke Zewde's (ed), Urban Fields Development in Ethiopia and Other Related Issues, Addis Ababa.
- Grover R., P, Munro and M. Sloviev (2002). "Housing tenure change in transitional economies", in Geoffery Payne's ed, Land, Rights and Innovations: Improving Tenure Security for the Urban Poor, ITDG Publishing, London, UK.
- Guzanova, Alla K. (1998). The housing market in the Russian Federation: Privatization and its Implications for Market Development, World Bank Policy Research Working Paper.
- Harriott, Stephen and Lesely Matthews (1998), Social Housing: An Introduction, Addison Wesley Longman Limited, London, U.K.
- Hong Hanh, Luong thi (2000). Improving Privatization of Housing Stock in Vietnam: A Case Study of Hanoi, Department of Infrastructure, Ministry of Planning and Investment, Vietnam.
- Kwok-yu, Lau (1997). Housing Inequality and segregation. An exploratory Study on Housing Privatization in Shenzhen City of the People's Republic of China, A Public and Social Administration Working Paper Series, City University of Hong Kong, Hong Kong.
- Lipman, Marvin (1969), "Social Effects of Housing Environment" in Wheller (ed), The Right to Housing, Harvest House Limited, Quebec, Canada.

- Lowe, Lucky and Theo Schilderman (2001), The Impact of Policies Institutions and Processes in Urban Upgrading.
- NUPI (1998). House Maintenance, Management and Upgrading Study: Analysis and Proposals for Kebele Administered Houses, College of Urban Planning ESAU, Addis Ababa.
- PADCO (1997). Ethiopian Housing Sector Study, A study prepared for Urban Development Support services, Ministry of Works and Urban Development Government of Ethiopia, PADCO, Inc.
- Payne, Geoffrey (2001), "The Impact of Regulation on the Livelihood of the Poor", paper prepared for ITDG research project, 'Regulatory Guidelines for Urban Upgrading'.
- Payne, Geoffrey(ed), (2002), Land Rights and Innovation: Improving Tenure Security for the Urban Poor, ITDG Publishing, London.
- Priemus, Hugo (2000), Housing Indicators: An Innovative tool for Housing Policy and Housing Research, OTP Research Institute for Housing, Urban Mobility Studies, Delft University of Technology, Delft, The Netherlands.
- Schlyter, Ann (2000). "Privatization of Council Housing in Lusaka, Zambia", a paper submitted to the international research conference, Housing in the 21<sup>st</sup> Century: Fragmentation and Reorientation, Gavile, Sweden.
- Sohali, M., S. Cavill and A.P. Cotton (2001), "Livelihoods and Guidelines of Urban Upgrading" WEDC.

- Solomon Mulugeta (1997). "Policy Responses to the Urban Shelter Problem in Ethiopia: The case of pre-19991 Addis Ababa", in Ethiopia In Broader Perspective, ed. Katsuyoshi Fukui et al., Papers of the 13<sup>th</sup> International Conference of Ethiopian Studies, Vol. I, Shokado Book Sellers, Kyoto, Japan.
- Tadesse G. Giorgis (2000), "Housing Situation in Addis Ababa City: Constraints and Some Suggestions to improve the Performance of The sector" a paper presented at symposium on "Building a Vibrant and Livable Addis Ababa" organized by Addis Ababa Chamber of Commerce in collaboration with Freidrich Ebert Stiftung of Gernmay, 17-18 February, Addis Ababa.
- Tamirat Delelegne (1998). "Current Urban Land Policy Issues and Problems in Addis Ababa", in Zewdie Serbarro and Zeleke Zewde's ed, Urban Fields Development in Ethiopia and Other Related Issues, Addis Ababa.
- UN, Habitat (2002), Financing Adequate Shelter for all: Addressing the Housing and Finance Problems in Developing Countries, Report of Housing Finance Seminars in the Run Up to the UN General Assembly, Special Session for Review and Appraisal of the Implementation of the Habitat Agenda Istanbul.
- V.Lall, Detchman, Lundberg and Chaudhury (2002). Tenure Diversity and Commitment: Community Participation for Urban Service Provision, World Bank Policy Research Working Paper 2862.
- Waldengrave, Charles (2000). "Assessing the Social Impacts of New Zealand Housing Reforms during the 1990's", the Family Center Social Policy Research Unit, New Zealand.
- Winter, Ian and Wendy Stone (1998), "Social Polarization and Housing Careers: Exploring the Interrelationship of Labor and Housing Markets in Australia, Working Paper No.13, Australian Institute of Family Studies.



# ANNEX - QUESTIONNAIRS

## Survey questionnaire to household Heads of Kebele House Tenants

Zone \_\_\_\_ Woreda \_\_\_\_\_ Kebele \_\_\_\_\_ House No. \_\_\_\_\_

Questionnaire No. \_\_\_\_\_

Name of Interviewer \_\_\_\_\_

Date of Interview \_\_\_\_\_

### Introduction.

The questionnaire is prepared to collect information on Kebele houses and their tenant households. It will be filled through interviews conducted by data collectors from Addis Ababa University. The researcher appeals for the cooperation of informants in providing appropriate answers for both open and close-ended questions.

The questionnaire contains 20 items of which some are open-ended and others are close-ended. Please reply according to the items presented. The information provided through the questioners will help to widen the understanding of the situation of Kebele house tenants and Kebele housing.

Your cooperation will be highly appreciated.

**Question 1. Basic household characteristics**

<b>I. D</b>	<b>Name of household members; (write in order of head spouse, children, other)</b>	<b>Sex</b> 1. M 2. F	<b>Place of Birth</b> Code (a)	<b>Age</b>	<b>Duration of residence in A.A</b>	<b>Relation to head of H.H.</b> Code (b)	<b>Education</b> Code (c)	<b>Marital status</b> Code (d)	<b>Employment status</b> Code (e)	<b>Occupation</b>	<b>Place of Work</b> Code (f)
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											

**Code (a)**

1. Addis Ababa
2. Other Urban area
3. Rural area

**Code (b)**

1. Head
2. Spouse
3. Son/daughter
4. Other relative
5. Servant/guard
6. Other, specify

**Code (C)**

1. Never had schooling
2. Read and write
3. Elementary school
4. Junior secondary school
5. Senior secondary school
6. Technical/Vocational
7. College diploma and above

**Code (d)**

1. Never married
2. Married
3. Separated
4. Divorced
5. Widowed

**Code (e)**

1. Self employed formal
2. Self employed informal
3. Private firm employee
4. Government employee
5. Pensioner
6. Casual worker
7. Domestic servant
7. Unpaid family work
8. Unemployed
9. Others, specify

**Code (F)**

1. In the same house
2. In the same Kebele
3. In the nearby Kebele
4. In another part of the city
5. No fixed working place

**Question 2. Characteristic of the Housing Unit (If your choice includes others, write down the specification on the row bellow)**

Physical Structure of the housing unit	Wall	Floor	Roof	Ceiling	NO. of Rooms Occupied except toilet & kitchen	Do you share your housing unit with other households	Purpose of the house	Rent Price
1. Attached 2. Detached 3. Others	1. Mud 2. Wood and mud 3. Wood and thatch 4. Wood 5. Reed and bamboo 6. Blocket 7. Brick 8. Stone 9. Others	1. Beaten earth 2. Cement 3. Wood 4. Others	1. Corrugated Iron 2. Plastic 3. Bamboo 4. Thatch 5. Others	1. Wood 2. Cheap wood or hardboard 3. Fabrics 4. Has no ceiling 5. Others	_____	1. Yes, with _____ No. of households 2. No	1. Residential 2. Commercial 3. Both 4. Others	_____

**Question 3. If your house is mostly made of *chika* to which house category does your housing unit belong?**

1. ChiKa A type                      2. Chika B type                      3. Unable to categorize

Chika A type	Chika B type
Foundations and wooden walls are set into the ground and reinforced with stone ☉	Foundations of stone with a sand and cement mortar ☉
Walls are unpainted chika ☉	Chika walls plastered in cement and painted ☉

Internal floor is beaten earth ☉	Interior floors in cement or stone ☉
There is no ceiling and beams are exposed ☉	Ceiling covered with fabrics or cheap wood, hardboard etc ☉
Windows have no glass only wooden shutters. ☉	Glassed and shuttered windows ☉

**Question 4. Access to Major Service Facilities. (If your choice includes others write down the specification in the row below.)**

<b>Water (major source)</b>	<b>Toilet</b>	<b>Bath Room</b>	<b>Electricity</b>	<b>Kitchen</b>	<b>Accessibility</b>	<b>Garbage Disposal</b>	<b>Waste water disposal system</b>
1. Private Meter 2. Shared with in compound 3. Shared outside compound 4. Public fountain (Bono) 5. Buying from private vendor 6. Others please specify	1. Private 2. Shared, with ___ number of households 3. Available but unusable because it is unhygienic 4. Absent	1. Yes 2. No	1. Private meter 2. Shared meter 3. Absent 4. Others please specify	1. Private 2. Shared, with ___ number of households 3. Open air 4. Others please specify	1. Can be Accessed by Vehicle 2. Only by foot track 3. Others please specify	1. Communal collection (genda) 2. Dug out 3. Throwing away 4. If others, please specify	1. Closed drain pipes 2. Open drain pipes 3. Others, please specify 4. Absent

**Question 5. Maintenance (If your choice includes others write down the specification in the row below)**

<b>Duration of Tenancy (In years)</b>	<b>Type of Maintenance or investment</b>	<b>Frequency of Maintenance Code (a)</b>	<b>Who carried out the maintenance (multiple response is possible) Code (b)</b>
	1. Installing infrastructure services like water and electricity		
	2. Painting and plastering		
	3. Change of material or reinforcement of wall, roof, windows doors etc		
	4. Partial rebuilding of the housing unit		
	5. Extension or construction of additional rooms		
	6. Complete reconstruction of the housing unit		
	7 Others specify _____		

**Code (a)**

1. Never
2. Once
3. Twice
4. More than two times

**Code (b)**

1. The Kebele
2. Tenant with either financial or material support of the Kebele
3. The tenant on his/her own expense
4. The tenant with the help of friends and relatives
5. NGO's
6. Others, Please specify

**6. If you haven't undertaken any kind of investment or maintenance on the house on your own expense, so far, what is your reason for not investing on the house? (Multiple response is possible)**

1. The house is in good condition

2. The dwelling unit is attached to other units and it does not allow maintenance
  3. Cumbersome administrative procedures and bureaucratic red tape required to carry out maintenance of a Kebele house
  4. I am reluctant to invest on a house I don't have security of long term occupancy
  5. Lack of disposable income for maintenance
  6. Lack of access to loan to obtain money for maintenance
  7. The price of construction material is too high to afford maintenance
  8. If others please specify
- 

**5. How do you rate the condition of the house?**

1. Very good      2. Good      3. Fair      4. Poor

**8. How do you rate the maintenance need of the housing unit you are occupying, currently?**

1. It needs Strong major maintenance      2. It needs only moderate maintenance  
3. It needs only Minor maintenance      4. Unable to say  
5. Others Please specify \_\_\_\_\_

**9. Have you ever attempted to build or buy your own house?**

1. Yes      2. No

**10 If your response to Question 9 is yes, what has been the result of your attempt to acquire a house?**

---

---

**11. If you have succeeded in getting your own house, why aren't you living in it currently?**

---

---

**12. If you have not attempted to build or buy your own house, so far, why not? (Multiple response is possible)**

1. Lack of disposable income to own a house
2. Lack of access to loan or credit to construct or buy a house
3. I'm discouraged by lengthy bureaucratic procedures required to obtain a plot or build a house
4. I'm discouraged by high standards and city regulations required for housing construction
5. Because I am satisfied with my current Kebele house
6. Because I am temporary resident in Addis Ababa
7. Others, please specify \_\_\_\_\_

**13. What are your plans for the future regarding housing?**

- |                                                |                                       |
|------------------------------------------------|---------------------------------------|
| 1. I want to continue as a Kebele house tenant | 2. I want to become an owner occupier |
| 3. I don't know                                | 4. Others please specify              |
- 

**14. If you are given the opportunity to buy the Kebele housing unit you are currently occupying, will you buy it?**

- |        |       |             |
|--------|-------|-------------|
| 1. Yes | 2. No | 3. Not sure |
|--------|-------|-------------|

**15. If your response to question No. 14 is yes, how do you expect to purchase the house from the Kebele**

- |                          |                                        |
|--------------------------|----------------------------------------|
| 1. One time cash payment | 2. On credit through long term payment |
|--------------------------|----------------------------------------|

3. Others, please specify

---

**16. If your response to question No. 14 is (NO) or (Not Sure), what is your reason for not wanting to buy the house?**

**Multiple response is possible. (Rank the three most important reasons).**

- 1. I have no resources with in my disposal to buy the house
- 2. I have no access to credit service
- 3. The house is dilapidated
- 4. The house is small
- 5. The house is far from my work place
- 6. I have enough resources to buy a better house
- 7. I don't want to buy a residential house in this neighborhood
- 8. The housing unit is attached to other housing units and it lacks privacy
- 9. Shortage of free space to improve the house
- 10. The house is inaccessible by a vehicle
- 11. I don't want to own a home currently
- 12. Other reasons, please specify \_\_\_\_\_

**17. Household income table**

<b>Number of people who contribute to household income</b>	<b>Major Source of income</b>	<b>If you have other source of income please list.</b>	<b>Average Household head monthly income</b>	<b>Average joint monthly household income (in birr)</b>
	1. Wage/Salary 2. Own business/ formal 3. Own business/informal 4. Pension		1. 2,000 and above 2. 1,500- 2,000 3. 1,000-1,500 4. 700- 1,000	1. 2,000 and above 2. 1,500- 2,000 3. 1,000-1,500 4. 700- 1,000

	5. House rent		5. 400-700	5. 400-700
	6. Support from relatives		6. 200-400	6. 200-400
	7. Support from NGO or government		7. 100-200	7. 100-200
	8. Others specify		8. Below 100	8. Below 100

**18. On the average how much do you spend per month on the following?**

Item		Amount spent per month (in birr)
Food		
Water bill (last months bill)		
Electricity (last months bill)		
Telephone (last months bill)		
Transportation		
School fee		
Gifts/ Remittance (support to relatives or friends)		
Servant/ guard etc payment		
Edir		
Saving	Equip	
	Bank	

**19. Does your monthly income cover your monthly expenditure?**

1. Yes always                      2. Yes, sometimes                      3. Not at all                      4. I don't know  
5. If others please specify

---

**20.. If your responses to Question No. 19 is 2 or 3 what strategy (is) did you under take to cover your expenditures?**

**Multiple responses are possible. (Please rank the three major sources you used)**

1. Use personal saving in the from of cash/kind

- 2. Borrowed food/cash from family
- 3. Borrowed food/cash from relatives/friends
- 4. Sold some of personal possessions, if any, please list \_\_\_\_\_
- 5. Letting /sub letting part or all of my residence
- 6. Reduce/eliminated consumption items, if any, please list \_\_\_\_\_
- 7. Non payment of bills or rental price
- 8. Change employment patterns, if any, how please state \_\_\_\_\_
- 9. Begging
- 10. Migrate to other places
- 11. Children dropped out from school and engaged in family support
- 12. Increasing working hours, if any, how many hours did you work last week \_\_\_\_\_
- 13.If others, please specify \_\_\_\_\_

**21. In your opinion, what should be done regarding the tenure system of Kebele houses, in realizing the best interest of tenant households?**

1. It should go on the way it is currently.
  2. The houses should remain under the Kebele and reasonable increments introduced in the rent so that the Kebele can maintain the house from time to time.
  3. The houses should be sold to current tenants.
  - 4.If there are other options, please specify.
-

## Guideline Questions for Focus Group Discussions

### 1. Introduction and background information

### 2. Discussion questions

Q1. How long have you been occupying the Kebele Housing unit you are living in now? (Expect spontaneous answer, just number of years with out detailed explanation)

Q2. Think about the Kebele house tenure situation of yourself and your neighbors. Are there complicated or difficult tenure situations you can think of? (Probe) What are the complications and difficulties involved?

*a. Are there conflicts or problems due to sharing communal wall, latrine, water tap, compound etc?*

Q3. How many people in your neighborhood are living off renting a Kebele house? How many of them partially and how many proportion rent the whole house? How much rent price do the informal tenants pay on average? How many of the landlords are absentee landlords?

Q4. How many of the Kebele house tenants do you think have become tenants by paying Key money? How much money is usually paid for key money? Is key money still operating or has it stopped now? Is key money a distress sell, usually?

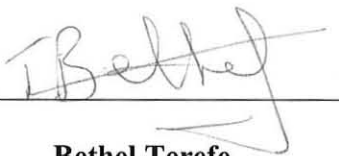
Q5. If the City government becomes willing to sell all Kebele housing units, would you be interested to buy the one you are occupying now? Why/Why not? What are your fears, if privatization takes place? What do you think you will gain by it?

Q6. What do think are the problems involved in buying a Kebele housing unit?

- Q7. How much proportion of the sitting tenants of Kebele houses can buy the house at current market price? Which payment modalities would you propose to make it more affordable?
- Q8. Which of the following incentive(s) do you think is (are) preferable as an incentive for sitting tenants to agree to buy their dwelling unit, if privatization takes place.
- Up grading (infrastructural) development (*Construction of bridges, roads, toilets and other infrastructures in your residential area*)
  - Provision of credit-schemes for housing and other purposes
  - Purchase of the houses through long-term payment
  - Reduction from the price of the housing unit
- Q9. After buying the Kebele houses, do you think people (for e.g. the very poor) will be forced to resell the houses due to distress? To what extent is this a threat?
- Q10. How do you think privatization affects the status of informal tenants? Will they find themselves' more insecure? Will the price of rent increase for informal tenants when the current legal renters get ownership right to the houses?
- Q11. What is your general opinion about the privatization of Kebele houses? do you think it is a good measure? Why/Why not?

## DECLARATION

I, the undersigned, declare that this thesis is my original work, has not been presented for a degree in any University and that all the sources of materials used for the thesis have been duly acknowledged.

A handwritten signature in black ink, appearing to read 'Bethel Terefe', is written over a horizontal line. The signature is stylized with a large initial 'B' and a long horizontal stroke.

**Bethel Terefe**

**July, 2003**